

FINAL REPORT

PRIVATE SECTOR DEVELOPMENT OF HOUSING EASTERN EUROPE

ALBANIA'S HOUSING PRIVATIZATION PROGRAM

Prepared for

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ABSTRACT

On December 23, 1992, the Albanian Parliament approved Law 7652, On the Privatization of State-Owned Housing. During the following two months, this law was supplemented by ministerial decrees that detailed privatization procedures. This report summarizes and comments on these documents and, in the final section, sets out the additional steps that must be taken to complete the privatization process.

ALBANIA'S HOUSING PRIVATIZATION PROGRAM

On December 23, 1992, the Albanian Parliament approved Law 7652, On the Privatization of State-Owned Housing. A translation of Law 7652 is appended to this report as **Annex A**. During the following two months, this law was supplemented by ministerial decrees that detailed privatization procedures. This report summarizes and comments on these documents and, in the final section, sets out the additional steps that must be taken to complete the privatization process.

2 BACKGROUND

Based on the Albanian Census of 1989, the cities and towns of Albania contain about 290,000 dwellings. Currently, about 70 percent of all urban dwellings are state-owned. Nearly all are apartments of one to three bedrooms in multiple dwellings managed by district management agencies under the direction of the Department of Housing in the Ministry of Construction. About 70 percent of the state-owned dwellings were built after 1960.

Under the former regime, families and individuals were assigned dwellings in order of priority on a waiting list. They occupied the dwellings as renters with annual leases that were automatically renewed, so a family effectively had perpetual tenure. Eviction was legally possible if a tenant failed to pay three months rent or abused the dwelling, but evictions were rare. Rent (excluding utilities) typically amounted to about 2.5 percent of household income.

Rents were set administratively according to a complex schedule of dwelling size, amenities, quality, and location, last promulgated in 1982. The scheduled rents never have covered operating and maintenance expenses of the buildings, much less amortization of capital costs. Scheduled rents were doubled recently (August 1992) but still do not cover operating and maintenance costs. As subsidies from the state Treasury have diminished, maintenance has been reduced to a minimum.

The remaining 30 percent of the urban housing stock is privately owned. Private ownership has never been illegal in Albania, but all state-sponsored urban construction has been for public or cooperative housing. Private dwellings include many built before the communist regime came to power, and many built by or for farmers in the rural fringe that subsequently became urbanized. They are mostly single family dwellings with garden space, but only 56 percent have indoor plumbing. About forty percent were built before 1945 and 61 percent were built before 1961 (1989 Albanian Census).

4 THE PRIVATIZATION PROGRAM

The Albanian government is committed in principle to privatization of the state-owned housing stock. To date, three draft programs have been prepared by the Ministry of Construction. The first was submitted to Parliament, but the government fell before it was enacted. The second reached the Council of Ministers and was sent back for revision. Law 7652 is based on a third draft approved by the Council of Ministers at the end of November 1992.

The basic purposes of privatization are:

- To improve housing maintenance by enabling the owner-occupant to control repair policies, choose repair contractors, and monitor costs.
- To improve utilization of the housing stock by enabling owners and renters to move freely between dwellings, but with the knowledge that they must pay the full cost of the dwellings they choose.
- To create a market for new dwellings by giving households equity in their current dwellings that can be sold for cash, which in turn can be used as partial payment for new homes.
- To relieve the government of responsibility for providing and managing housing, enabling private individuals and enterprises, each, acting in his own interest, to perform these functions better and more efficiently.

Of these objectives, the most pressing is to create conditions for resuming building maintenance, in order to prevent further deterioration of an already marginal housing inventory.

4.2 Law on the Privatization of State Housing

Law 7652 enables the current occupants of most state-owned dwellings, both apartments and single-family houses, to claim ownership title to their dwellings by registering their claim with the state enterprise in each urban district that manages state-owned housing. About 50,000 older and smaller dwellings will be transferable to private ownership free of charge. About 150,000 newer, larger, and better-quality dwellings will be transferable subject to a schedule of fees promulgated by ministerial decree; the fees are estimated to average Leks 15,000 per dwelling (excluding those transferred free of charge). (The current Lek to dollar conversion rate is about 100 Lek to \$1.)

Occupants of state-owned housing are not obliged to become owners. They can continue as tenants, but are warned in Article 2 of the law that their rents soon will be increased to levels that cover “the full cost of administering and maintaining the housing.”

Although the owners of privatized dwellings will immediately have the right to sell, rent, or mortgage their dwellings, only those who privatize single-family dwellings will immediately gain control of (and responsibility for) maintenance and repair. Multiple dwellings will continue to be managed by the state-owned housing enterprises until a condominium association of the owners of the individual dwellings is formed; thereafter, the association will be responsible for manage-

ment of the property. A condominium law has been approved by the Council of Ministers and is awaiting consideration by Parliament. The privatization law does not deal with the management of partially privatized buildings; the statements in this paragraph are inferred from the draft condominium law.

4.4 Dwellings Not Subject to Privatization

The following categories of state-owned urban housing cannot be privatized:

- Dwellings containing more than one room of “extra” space under the existing norms for allocating state-owned housing according to family size. The occupants of such dwellings can continue as renters, but will have to pay a rent surcharge of 10 times the rent for the first extra room and 25 times the rent for additional extra rooms. They are thus encouraged to exchange their dwellings for smaller ones. (Art. 3 and 12)
- Dwellings that were formerly private property, taken by the state without full compensation. It is anticipated that these dwellings will be restored to their former owners (or their heirs) by a separate law on restitution, now under discussion in Parliament. (Art. 21)
- Dwellings subject to legal conflicts or scheduled for administrative reallocation because of excess space for the occupying family cannot be privatized until final decisions are rendered. (Art.5)
- Dwellings reserved from privatization by order of the Council of Ministers, based on proposals from district councils, municipalities, and communes. Presumably these include dwellings that would be demolished or converted to other uses under redevelopment plans, historical monuments, and the like. (Art. 14)

4.6 Persons or Families Not Eligible to Become Owners by Privatization

- Occupants of a dwelling with more than one extra room according to existing norms for the allocation of state-owned housing. See above, “Dwellings Not Subject to Privatization.” (Art. 11)
- Occupants of a state-owned dwelling who have already privatized another state-owned dwelling: “No citizen can become simultaneously the owner of two state housing units.” (Art. 23)
- Occupants of a state-owned dwelling who have permits (issued in 1990 or later) to build a private dwelling. (Art. 23)
- Persons who move from rural to urban places after 31 July 1991, who have also profited from the law “On Land.” This law privatized communal farms. (Art. 23)
- Citizens sent abroad “on duty” who fail to return within 6 months of concluding their duty. Their existing tenancy contract is terminated and their dwellings are made available to others. However, citizens who left Albania as economic or political emigrants after July 2, 1990 are entitled to privatize the dwelling they occupied before their departure, unless it has since been leased to another family. In that case, the eventual disposition of the dwelling is to be defined by the Council of Ministers. (Art. 23 as amended by Law 7672 of 11 February 1993)

4.8 Title to Privatized Housing

Each privatized dwelling will be registered in the name of all adult members of the household, who will hold title as tenants in common. For a dwelling occupied by members of more than one family, each family receives an undivided share in proportion to its share of the rent contract. However, when all tenants (whether or not more than one family) agree, the title can be registered as the property of one household head. (Art. 9)

The site (land) occupied by a privatized dwelling is also transferred to the new owners. In the case of a multiple dwelling, only the site occupied by the building (its “footprint”) and a strip of immediately surrounding land 1 meter wide will be transferred. It becomes the joint property of the owners of the individual dwellings. In the case of the single-family house “surrounded by a garden which is permanently used and maintained by the tenants,” the garden is included in the transfer. (Art. 10)

4.10 Paying for Privatized Dwellings

As noted, some dwellings may be privatized free of charge and others require payments to the state. Although the National Housing Agency does not hold title to state-owned dwellings, the privatization law says that all revenues from privatization accrue to the Agency. The Ministry estimates that those revenues will be about Leks 2 billion.

The law states that dwellings consisting of two rooms and kitchen built before January 1, 1966 and dwellings consisting of one room and kitchen built before January 1, 1971 will be transferred free of charge to the occupants, unless they are classified as “Category I” (best quality and location). (Art. 3) Also, dwellings that are officially determined to be “in danger of collapse” can be transferred free of charge, and the owners can obtain rehabilitation credit or grants from the National Housing Agency. (Art. 8) Finally, state-owned dwellings may be privatized free of charge if any of the occupants are war invalids or were imprisoned, interned, or deported by the former regime for political reasons. If such persons are homeless, they will be provided state-owned dwellings that they can then privatize free of charge. (Art. 7)

If the tenants of a state-owned dwelling have a full extra room (according to existing space norms), they must pay for the extra space even though they would otherwise be entitled to take the dwelling free of charge. As noted, a dwelling cannot be privatized if the extra space consists of two or more rooms. (Art. 11)

The schedule of fees (prices) for dwellings not transferable free of charge (as indicated above) is included in Bylaw No. 1 on State Housing Privatization (January 29, 1993). A translation of Bylaw No. 1 is appended as **Annex B**. The fee per unit varies with age of building, number of rooms in the unit, location and quality of the building (Category) and whether the unit includes a kitchen (as opposed to makeshift cooking facilities). The most important factors are age of building and size of unit. For example, within Category I (best quality and location), the fee for a

dwelling in a 40-year-old building ranges from Leks 2,000 to Leks 10,000; in a 5-year-old building, the range is Leks 16,000 to Leks 40,000.

These fees are subject to percentage adjustments depending on the dwelling's location within a building and the number of occupants per room. Apartments on the top floor of a multiple dwelling and those on the ground floor of apartments in Categories II and III are discounted relative to those on intermediate floors; in Category I, the first residential floor (often above the ground floor) commands a premium. If the number of persons occupying a privatized unit is larger than permitted by official space norms, the fee is reduced by 10 percent per extra person. If the household is "too small" for its unit, the fee is increased by 10 percent per person shortfall.

If the applicant chooses, the privatization fee for the dwelling may be paid in installments. If the applicant pays in full when the contract is signed, he gets a discount of 20 percent; if he pays half at that time, the discount is 10 percent; if he pays a fourth, the discount is 5 percent. The balance is paid in monthly installments; the amount is negotiable, but must be at least Leks 200; this amount will be indexed to official salary scales. (Art. 6) Decree No. 48 of the Council of Ministers on Implementation of the Law on State Housing Privatization, appended as **Annex C**, sets the minimum at Leks 250. (Par. 16)

When the privatization contract is signed, the tenant ceases to pay rent, but does not receive title until he has paid the full amount of the privatization fee. (Bylaw 1, par. 7) If he fails to pay six successive monthly installments, the contract is terminated, title returns to the state, and the tenant reverts to rental tenure. (Bylaw 1, Form 3) As the contract is written, the only penalty for default is loss of prior payments. Thus, in principle, a tenant could sign a privatization contract, cease paying rent, refuse to pay the privatization fee, and still continue to occupy the dwelling. However, the incentive to take this route is weak, since rental tenants of state-owned housing already can suspend rent payments without practical effect on their tenure.

Neither the privatization law nor the bylaw deals with the question of the new owner's obligations for maintenance and operating expenses. If the privatized dwelling is a single-family house, the management enterprise can withdraw its support, leaving the owner to do as he pleases. But if it is an apartment in a multiple dwelling, expenses for building maintenance and operation in principle should be shared among all owners in proportion to their holdings. The draft condominium law sets forth a procedure for assessing and collecting charges once the condominium has been formed, but does not deal with the transitional period between privatization and condominium status.

4.12 Paying for Land

As noted earlier, the land occupied by a privatized dwelling is transferred to private ownership along with the dwelling. (Art. 10) An additional fee is charged for the land, pursuant to a schedule of urban land prices contained in Ministerial Decree No. 364 of May 10, 1991. The prices for different categories of urban land are fixed in leks, averaging about Leks 100 per m². The land cost can be substantial in Albanian terms in the case of a single-family house with garden. For

apartments in multiple dwellings, each unit's undivided share of the site is relatively small, about Leks 20 per m² of the unit's floor space. Nonetheless, Bylaw No. 1 explains in exhaustive detail how to calculate the shares costs of land for various complicated arrangements of apartments and tenancy.

The payment for land is not mentioned in the dwelling privatization contract, and the data forms used to prepare that contract do not contain any information about the site. Payment for the land is either intended to be a separate transaction or was overlooked by the drafter of the dwelling privatization contract. There is no provision for paying the land fee in installments.

4.14 Benefits to Persons Ineligible to Privatize a State-Owned Dwelling

Only occupants of state-owned dwellings are eligible to privatize them. Most other families live in private housing and receive no benefit from the privatization law. However, the law provides benefits for those who are currently “homeless” or inadequately housed. Council of Ministers Decree No. 49 (29 January 1993), appended as **Annex D**, defines the following categories of citizens as “homeless”:

- Citizens who have no contract with state housing enterprises because they have transferred their place of abode to a new jurisdiction.
- Nuclear families sharing overcrowded dwellings with relatives who are the official tenants.
- Citizens with only temporary abodes such as boarding houses, hotels, schools, or administrative centers.
- Citizens living in basements or dwellings that lack basic sanitary facilities.
- Citizens that live in dwellings scheduled for restitution to former owners or who rent privately owned dwellings.
- Citizens who have only temporary housing because of court decisions.

Only persons who have a residence license for the relevant municipality as of December 1, 1992 are considered “homeless” under the terms of this decree.

- Citizens without shelter because their dwellings were demolished by the state and who have made contracts for rental units in the replacement buildings now under construction are entitled to privatize their unit when the building is completed. (Art.17)
- Homeless citizens will be offered low-interest loans for building or buying homes. The loans will be made by “institutions established for this purpose.” The interest rates will be subsidized by the state through the National Housing Agency. (Art. 16)
- Alternatively, homeless citizens are entitled to cash grants of Leks 10,000 per capita to be used only for building, rehabilitating, or buying homes. The grants will be administered by the National Housing Agency. (Art. 16)
- Owners of substandard dwellings are entitled to cash grants of Leks 2,600 per capita, to be used only for building, rehabilitating, or buying homes. These grants also will be administered by the National Housing Agency. (Art. 16)

- Owners of dwellings that were forcibly subdivided by the state to make room for another family are entitled to redistribute the space to equalize persons per room. (Art. 16) In any case, the proposed restitution law will enable such owners to evict the other family after three years.

4.16 Privatization of Dwellings Not Yet Completed

Decree 46 of the Council of Ministers (January 29, 1993), appended as **Annex E**, deals with the completion and disposition of apartment houses begun under the former regime. According to the Ministry of Construction, there are 12,300 dwellings in various stages of construction, some of which are occupied by squatters and others of which have been promised to specific enterprise employees or others. The decree distinguishes (a) about 7,450 dwellings begun by state economic enterprises using voluntary labor from their employees, and (b) about 4,850 dwellings begun by state construction enterprises under contract to the Ministry of Construction.

The dwellings begun by state economic enterprises will be treated as follows:

- Dwellings so near to completion that they have been accepted by the state housing management enterprises will be completed using funds provided by the state budget of 1993. These dwellings, most of which are already occupied, will be privatized under Law 7652, but with a 20-percent surcharge on the privatization fee. (Par. 2.a)
- Dwellings that are finished at least to the second floor will be given to the sponsoring enterprises free of charge. If they are financially able to do so, the enterprises may finish these dwellings and distribute them to their employees. If the enterprises cannot afford to finish the dwellings, they can distribute them to their employees free of charge, but the employees are then required to finish them from their own resources. If neither mode can be arranged before June 1, 1993, the partially completed dwellings will be given to the municipalities and communes in which they are located. (Par. 2.b) It is generally agreed that neither the enterprises nor the workers will be able to finish these dwellings, so the third solution is almost certain to dominate. It is also unlikely that the municipalities can find the funds to complete these dwellings.
- Dwellings that are not finished to the second floor are transferred to the National Housing Agency for completion. The enterprise that initiated these dwellings loses any claim to them. (Par. 3)

Dwellings initiated by state construction enterprises under contract to the Ministry of Construction will be treated as follows:

- Dwellings so near to completion that they have been accepted by the district housing management enterprises will be completed using funds of the National Housing Agency. These dwellings, most of which are already occupied, will be privatized under Law 7652, but with a 20-percent surcharge on the privatization fee. (Par. 4.b)
- Dwellings that are finished at least to the second floor will be completed using funds of the National Housing Agency, except that the utility connections will be financed by the state budget. (Either the draftsmanship or the translation is ambiguous, but the idea seems to be to

sell these dwellings for prices reflecting only the incremental costs incurred to complete them.) (Par. 4.c)

The decree does not dispose of the remaining group of Ministry dwellings, those that are not finished to the second floor; this may reflect an error in drafting.

Paragraph 5 cancels any existing claims (“authorizations”) to units in enterprise-initiated buildings that are not finished to the second floor and Ministry-initiated buildings that are not completed to the top floor. The municipalities and communes will allocate these apartments (when completed) according to rules given by the Council of Ministers. Apparently, some of these units would be sold, as is vaguely provided by Par. 4.c, and others would be managed as rental property, as is vaguely provided by Law 7652, Art. 25.

The funds available to the National Housing Agency for completing the buildings it initiated include Leks 300 million loaned at low interest by the Albanian State Savings Bank; Leks 1.0 billion loaned at zero interest by the Albanian National Bank; proceeds from privatization fees; and proceeds from the sale of partially completed dwellings. The World Bank currently is considering an interest-free loan (IDA terms) of \$15 million (currently equivalent to Leks 1.5 billion), for completion of some of these dwellings.

4.18 Rental Housing Policy

For tenants of state-owned housing, privatization is voluntary. Anyone who prefers to continue renting his dwelling may do so. Those who choose to remain as renters and those who do not qualify to privatize their dwellings will continue to pay rents to the state housing management enterprise, which in turn will continue to pay for the maintenance of the dwellings. (Art. 18) However, they are warned that rents will soon be increased to a level that will cover the full cost of operating and maintaining their buildings. (Art. 2)

Every six months, the Council of Ministers will review the rents of dwellings remaining in state ownership, presumably raising rents in steps to approach full cost. The same rent schedules will apply to privately owned dwellings (including restituted dwellings) operated as rental property prior to the effective date of this law. (Art. 19)

Rents for privately owned dwellings first offered for rent after the enactment of this law will not be controlled by the state. Rents for restituted dwellings whose owners are inadequately housed will be decontrolled on December 31, 1993. Rents on all other privately owned dwellings will be decontrolled in December 1995. After that date, the only rents set by the state will for state-owned dwellings. (Art. 19)

The state will continue as landlord for current occupants who do not privatize. In addition, the government intends to provide some new rental housing for active officers of the army, workers with very low incomes, families displaced by restitution, and other categories determined by the Council of Ministers.

4.20 Privatization Procedures

Decree No. 48 of the Council of Ministers (**Annex C**) describes the administrative procedures for privatizing state-owned housing. The process will be supervised by a Central Commission headed by the Minister of Construction and composed of representatives of the Ministries of Justice, Finance and Economy, Labor, Public Order, and Industry, and a representative of the Albanian State Bank. (Para. 2)

Each of Albania's 36 administrative districts will have a district privatization commission headed by the deputy chairman of the district council, and composed of the secretary of the municipality and representatives of both district and municipal offices of public works, finance, urban planning, public order, tribunal and attorneys, as well as the district housing enterprise and the district representative of the National Housing Agency. (Para. 3)

The district commission is responsible for compiling and authenticating lists of state-owned dwellings that are ineligible for privatization and lists of occupants of state-owned dwellings who are ineligible to become owners. It will also compile and authenticate lists of persons or families who are entitled to special treatment under the law, such as war invalids, political prisoners, and the homeless. Finally, the district commission will organize a working group to classify state-owned dwellings according to the criteria that determine privatization fees (for example, age, quality, and location of building). These lists are to be submitted to the Central Commission no later than February 20, 1993.

The Central Commission will review the lists, then forward them to the Council of Ministers for approval. (Para. 4-8) By that same date, the district commissions must organize working groups within the district housing enterprise to register and review individual applications for ownership of state-owned dwellings, prepare privatization contracts, negotiate installment payment schedules, and accept installment payments. (Para. 9-10) The housing enterprises are required to staff these functions; although Decree No. 48 says nothing about paying for the work, Bylaw No. 1 indicates that the expenses of the Central Commission, the district commissions, and the processing of privatization applications will be paid from a special fund provided to the Ministry of Construction. (Para. 23)

Applications for privatization will be accepted until December 31, 1993 (Law 7652, Art. 26). Subsequently, the personnel of the district housing enterprises who managed the process will be transferred to the district office of the National Housing Agency. After December 31, 1993, rents will be paid to the National Housing Agency. (Decree 48, para. 10-11) As translated, only the privatization staffs of the enterprises are transferred to the National Housing Agency; however, it probably is intended that the entire housing management function will be transferred. In fact, it appears that all the housing functions of the district housing enterprises are to be shifted to the district offices of the National Housing Agency.

Likewise, all privatization fees will be credited to the account of the National Housing Agency. (Law 7652, Art. 24)

6 MAKING PRIVATIZATION WORK

The program of housing privatization described above is a remarkable legislative achievement. In a little more than a month, a ministry draft providing for a fundamental change in the organization of the Albanian economy became the law of the land. The law passed on December 23, 1992 was followed by a flurry of decrees by the Council of Ministers setting up an administrative procedure to implement the law. During February 1993, privatization commissions were appointed in all 36 administrative districts of Albania and representatives of these commissions were convened in a workshop designed to explain to them their responsibilities and the procedures they must follow. To be sure, the district commissions did not finish their task of compiling and authenticating lists of dwellings and persons eligible and ineligible for privatization or special treatment by the scheduled date of February 20.

Although nearly everything needed to accept privatization applications is now in place, there is still more work to be done before most Albanian dwellings can or will become private property. During a 10-day USAID technical assistance mission in February-March 1993, a number of documents were prepared to assist with filling in the gaps and completion of the privatization process. The referenced documents are appended.

The following remains to be done:

6.2 Condominium Law and Procedures

The condominium law must be passed. A draft, prepared with USAID technical assistance in December 1992, has been approved by the Council of Ministers and will be submitted to Parliament at the first opportune moment.¹ It is appended to this report as **Annex F**. This law provides a sturdy legal basis for full ownership of individual apartments in multiple dwellings and joint ownership of the building's common areas and equipment. It also provides a vehicle—the condominium association—for building management and for the assessment and collection of fees to support building maintenance and operations.

The charter of the National Housing Agency must be amended to clarify its role as the founder of condominiums and the agent of the state that will transfer title to residential units in multiple dwellings from the state to private persons. A proposed revised charter is appended as **Annex G**.

Condominiums must be established in the buildings to be privatized so that ownership of the dwelling units and common property can be transferred legally from the state to the individual private owners. This step is accomplished by filing a foundation deed for each building to be

The Condominium Law was passed by the Albanian Parliament on March 17, 1993.

privatized in the district real property registration office. A model foundation deed is appended as **Annex H**.

As authorized by the proposed Charter of the National Housing Agency and the proposed Decree of the Council of Ministers, the Agency, as founder and agent of the state, will fill out and register a foundation deed for each privatized apartment building.

In addition to meeting the requirement in the condominium law that a foundation deed be registered to establish a legal condominium, the foundation deed describes and registers the state-owned property in the district real property registration offices for the first time. While private property has been registered in Albania, records of state-owned properties were not registered in the real property registration office but kept in the state management enterprise office. The foundation deed begins the chain of title for each state-owned property, which is necessary to establish a real estate market.

The foundation deed also describes and registers in the real property registration office the individual units in the condominium, each of which will have separate registration and a separate title. This begins a chain of title for each unit. After the first transfer of title from the state to the individual owner, upon subsequent sales title will transfer from the first owner to the second owner, and so on. This is also necessary to establish a real estate market.

Finally, the foundation deed describes how the condominium association will be organized, and provides authority and procedures by which the association will make decisions about the management and operations of the condominium.

6.4 Management of Mixed-Ownership Buildings

Many buildings will contain some units that are not privatized—whose occupants remain as rental tenants of state-owned dwellings. The management of these dwellings—selecting tenants, collecting rent, participating in the condominium association as an agent of the owner (the state), paying condominium fees—is a function that is delegated to the National Housing Agency during the privatization period. The state should transfer both ownership of the dwellings and management responsibility for them to the local governments at the end of the privatization period. A proposed Council of Ministers decree, prepared to set out these steps, is appended as **Annex I**.

6.6 Restitution

The effects of the restitution bill now before Parliament on the privatization program must be analyzed and a plan devised to forestall premature privatization of property that will subsequently be restituted to others. Unless the bill is speedily passed, so that its terms are settled and applications are accepted (under deadline) for restitution of specific properties, this uncertainty will become a major obstacle to privatization.

6.8 Policy on Rent Increases

The government's policy on rent increases for those who choose to remain as rental tenants in state-owned dwellings must be carefully considered. Unless rents are increased to cover full maintenance and operating costs, many occupants of state-owned housing will be better off as renters than as owners. On the other hand, not all Albanians can afford either full-cost rents or the alternative of full-cost ownership. The emerging solution in other Eastern European countries is a system of housing allowances targeted strictly to poor families, not to dwellings.

6.10 Land Pricing

Bylaw 1 must be amended to rationalize the procedure for calculating and collecting the privatization fee on land. Other minor amendments to the bylaw and to ministerial decrees are needed to clarify either the intent or the implementation of Law 7652.

6.12 Public Education

Last but not least, a program of public education is essential. Although the Ministry of Construction has published a useful compilation of Law 7652 and related decrees, this will not suffice to explain to ordinary Albanians who is eligible to privatize a dwelling, the advantages and disadvantages of privatization, how their buildings will be managed as condominiums, the cash requirements at various stages in the privatization process, and the procedure of application and approval. We recommend both printed booklets and rehearsed television presentations.

An explanation of condominium ownership in a question and answer format has been prepared to help explain condominium concepts to government officials who will be responsible for administering the privatization process. A copy is appended as **Annex J**.

ANNEX A

LAW ON THE PRIVATIZATION OF STATE HOUSING

Based on Law No. 7491, dated April 29, 1991, "On the main Constitutional Provisions," upon the proposal of the Council of Ministers, the People's Assembly of the Republic of Albania,

D E C I D E D:

Article 1

The purposes are to privatize state housing, to create a free market for private housing, and to improve the use, maintenance, and administration of housing by giving the right to become owners to tenants of state housing. Owners will have the right to alienate, to lease, and to mortgage their housing.

Article 2

No tenant is obliged to become an owner of housing. For those who want to remain tenants, there will be a rent increase to an amount that will cover the full cost of administrating and maintaining the housing.

Article 3

Housing that consists of two rooms and one kitchen built on or before December 31, 1965, and housing that consists of one room and one kitchen built on or before December 31, 1970, shall be transferred to tenants free of charge. Housing of the first category is exempted from this regulation according to criteria determined by the Council of Ministers.

Housing that is not included in the first paragraph of this article shall be transferred as private property to tenants according to a schedule of charges determined by the Council of Ministers.

Article 4

Based on the distribution of the general value of the state housing fund, the Council of Ministers shall determine charges based upon these criteria:

- a) the size of the housing;
- b) the historical value of the housing;
- c) the age of the housing;

- d) the location of the housing;
- e) the size of the family.

Article 5

After this law goes into effect, tenants of state housing can request the housing administration enterprises to recognize their ownership. Ownership of housing is acquired after concluding the requisite acts, the liquidation of the total charges, and the registration of ownership at the hypothec office.

State housing that is the subject of conflicting claims or is in the process of redistribution because its size exceeds existing norms, shall not be privatized until the claims or the redistribution are finally determined.

Article 6

Charges for housing may be paid at once or in installments. The amount of installment payments is to be determined by the parties to the transaction, but may not be less than 200 leks/month, indexed by the level of wages. When the total charge is paid in one payment, the charge shall be reduced by 20%. When the first payment is 50% of the total, the charge shall be reduced by 10%. When the first payment is 25% of the total, the charge shall be reduced by 5%.

Article 7

Housing is transferred as private property free of charge when the tenants or other members of the family that are currently living there have the status of political prisoners, interred or politically deported, or war invalids.

When persons in the categories listed in the paragraph above are unsheltered, they will be provided state housing within the existing shelter norms, free of charge.

Article 8

Housing that, by special commissions, is regarded as being "in danger of collapse," based upon criteria existing on the date the law comes into effect, will be transferred as private property free of charge. For reconstruction of such housing, the occupants will have the right to take credits as described in Article 16.

Article 9

Housing that is privatized will be registered in the name of the tenants and other adult members of the family.

Housing that is used by several tenants will be registered as private property in the name of each tenant, according to the portion each tenant possesses in the rent contract.

When the tenants agree, the housing will be transferred entirely as the property of one tenant.

Article 10

The site occupied by the building is considered as a separate entity and is transferred as joint property.

Sites that were formerly private property will be regulated by separate law.

When separate housing is surrounded by a garden which is permanently used and maintained by the tenants, the garden is transferred as their joint-property.

For calculating the value of the sites, criteria determined by the Council of Ministers in 1992 shall apply.

Article 11

Housing with living space in excess of the determined norms, in which the excess consists of a separate room, shall be transferred as private property for an extra charge of 2000-4000 leks per square meter for the extra room, depending on the location. The extra charge shall apply even when the tenants receive the housing free of charge, except for those tenants mentioned in Article 8.

When the extra space consists of more than one separate room, the housing may not become the private property of the tenants.

Article 12

Tenants living in state housing who have living space above determined norms, in which the excess consists of a separate room, beside the rent of an apartment, will pay an extra monthly charge of 10 times the rent for the first extra separate room, and 25 times the rent for each additional separate room. These extra charges will begin three months after this law goes into effect.

Article 13

Tenants who have extra separate rooms have the right, through the competent organ, to change their apartments, so as to correspond to existing norms of housing.

Article 14

Based upon proposals of the district councils, municipalities, and communes, the Council of Ministers shall determine the special housing that will not be privatized from the general housing stock.

Article 15

For those people who receive credits of up to 20,000 leks to reconstruct private houses as of June 31, 1991, "For the improvement of housing conditions," up to 15,000 leks will be regarded as a grant, the cost of which will be met by the state budget through the National Housing Agency.

Article 16

Citizens who are considered to be unsheltered, based upon the dispositions published by the Council of Ministers, may take credits from institutions established for this purpose. The interest portion of credits for constructing or buying this housing will be provided by the state through the National Housing Agency.

Citizens who are considered to be unsheltered and do not want to receive credits will receive 10,000 leks per capita from the National Housing Agency, to be used only for construction, buying, and reconstruction of housing.

Citizens who are owners of private housing beneath the existing norms of shelter will receive 2600 leks per capita, with the same conditions of the paragraph above.

Owners of private housing with less space relative to family size than their tenants, may exchange the housing or make other adjustments that would make both parts proportionally equal.

Article 17

Citizens without shelter whose housing was demolished because of construction projects, and who have made contracts with the executive organs of the district, will receive housing according

to the regulations defined in the second paragraph of Article 3 of this law, regardless of when the housing is constructed.

Article 18

Tenants of state housing who do not want to privatize their housing, and others who will remain tenants under this law, will continue to pay rent.

Maintenance of their housing will be provided by the enterprises administering this housing.

Article 19

Rents are determined by the Council of Ministers every 6 months or 1 year, for the housing described in the first paragraph of Article 18 as well as for private housing, and for state housing that was formerly privately owned [restituted housing] and had been rented before this law comes into effect. These charges will be liberalized in December 1995. Rents for those tenants in private housing whose owners live beneath existing shelter norms will be liberalized on December 31, 1993.

Rents for all other housing will be determined its owner.

Article 20

For purposes of this law, the size of the family and the conditions of shelter as recorded in the citizens' registers as of December 1, 1992, must be taken into consideration.

Article 21

State housing that was formerly private property will not be privatized under this law.

Article 22

Relations among owners of jointly owned property shall be regulated by a special law.

Article 23

With the implementation of this law, no citizen can become owner of two state housing units simultaneously.

Citizens who live in state housing within the shelter norms, and who have been building private housing since 1990 or thereafter, do not benefit from this law.

Also not benefitting from this law are villagers who have been permitted to live in towns after July 31, 1991, and who have benefitted under the law "On Land".

Housing contracts of citizens sent on duty outside of Albania who have not returned within 6 months after the conclusion of their duty, shall be terminated.

Article 24

All revenues from privatization shall pass to the National Housing Agency.

Article 25

In the future, the state will assist persons who live in towns through specialized institutions created for this purpose. Distribution of housing completed after January 1, 1993, will be in accordance with criteria determined by the Council of Ministers.

The state will provide rental housing for active officers of the army, for workers whose individual incomes are below a minimum standard of living, for tenants of private housing who will have to move as a result of restitution, as well as for any other category as determined by the Council of Ministers.

Article 26

Privatization in accordance with the provisions in this law shall take place until December 31, 1993.

Article 27

The Council of Ministers shall issue the relevant regulations for implementation of this law, as well as for housing unfinished as of December 1992.

Article 28

All laws inconsistent with this law are rendered invalid.

Article 29

This law goes into effect 30 days after it is published.

THE CHAIRMAN
PJETER ARBNORI

ANNEX B

Republic of Albania
Council of Ministers

BYLAW

No. 1, dated 29.1.1993

ON THE PRIVATIZATION OF STATE HOUSING

For implementation of Law No. 7653, dated 23.12.1992, "On the Privatization of State Housing," upon the proposal of the Ministry of Construction, Housing, and Territory Adjustment and the Council of Ministers

O R D E R S:

1. The setting-up of state housing privatization commissions to coordinate procedures with tenants who would like to own their houses.

2. In compliance with Article 3 of the law "On Privatization of State Housing," units 2+1 built on or before the date 31.12.1965, as well as units 1+1 built on or before the date 31.12.1970, shall be transferred to the tenants' ownership free of charge. In cases where housing passes on to tenants free of charge and the living space is above shelter norms, and when the living space constitutes an extra room, the charge for the extra room shall be 2,000-4,000 leks per m².

In cases where the extra space constitutes two extra rooms, the housing cannot be privatized.

The same criteria of space above the shelter norm is to be applied to housing transferred free of charge to the ownership of prisoners, internees, the politically persecuted or war invalids.

3. A committee shall be set up for the categorization of housing to be privatized, which shall classify the housing into first, second, third, and extra categories, to be used for evaluation in compliance with the charges listed in this bylaw.

After classifying the housing into first, second, and third categories, the committee shall present its plan for approval by the Council of Territory Adjustment. After approval, these evaluations shall be implemented for privatization.

When extra space constitutes an extra room, the following charges will apply:

Category I: 4000 leks/m²

Category II: 3000 leks/m²

Category III: 2000 leks/m²

The committee shall prepare a report and a plan of all extra-category housing not privatized, and submit them to the district privatization commission. After due consideration, the commission shall forward them to the Central Commission of state housing privatization at the Ministry of Construction, Housing, and Territory Adjustment, which shall examine them and present them to the Council of Ministers for approval.

4. Tenants of state housings apply to the privatization sectors for acknowledgement of ownership. This will be accomplished in accordance with Forms No. 1 and 2 attached to this instruction.

Form No. 1 includes:

Address of state housing.

Year of its construction (the age of housing will be computed up to the date of signature of the privatization agreement).

Year of construction of any floor additions or side additions.

Housing category.

Number of floors.

Number of units according to type (1+1, 2+1, 3+1, etc.).

On the basis of the data on Form No. 1, the privatization office shall fill out Form No. 2, which includes:

Full address of the unit, name and surname of the tenant, as well as the type of unit according to composition of rooms, with or without annex.

The floor on which the unit is located.

The housing category.

Number of persons according to the family certificate up to 1.12.1992 released by the civil office.

Form No. 2, signed by the privatization office, is kept in two copies, one of which remain in the privatization file, the other given to the tenant who becomes the owner.

5. After filling in Form No. 2 at the privatization office, the tenant signs the housing privatization agreement. This right is given also to any other adult person authorized by the tenant.

Obligations to pay charges shall be determined in the agreement, including the amount of monthly installment payments, the method of payment, and consequences of failure to meet these obligations.

The agreement is to be kept in three copies, one of which is given to the citizen, one remains in the privatization file, and the third is sent to the notary office for further procedures.

For the incased (sic) amounts, a copy of incasing (sic) requirement is given to the citizen, whereas the other copy is attached to the privatization file.

6. The privatization file includes:

Citizen's application for ownership.

Family certificate.

Forms Nos. 1 and 2.

General plan and layout of the housing.

Housing privatization agreement with Form No. 3 attached.

The completed file is taken by the privatization office to be registered in the housing privatization log-book. (See Form No. 4 attached to this instruction.)

7. Charges can be paid immediately or in installments. The installment amount is determined between the parties, but cannot be less than 200 leks per month, indexed with the salary level. When the total charge is paid by the tenant in one payment, the amount is reduced by 20%; when the first payment constitutes 50% of the total charge, the amount is reduced by 10%; when the first payment constitutes 25% of the total charge, the amount is

reduced by 5%. After the first installment payment, no reduction will be made.

At the time the tenant signs the privatization agreement, he ceases to be a tenant and no longer pays rent.

In cases where charges are paid in installments (to be clarified in the agreement), ownership transfers after payment of the full amount of the charge and after registration of ownership act in the mortgage office.

The charge applicable to each unit will be recorded in the housing privatization log book. Installment payments in accordance with the privatization agreement shall also be recorded.

8. After the agreement is signed and the total charge has been paid, the notary office shall perform procedures in the presence of privatization office representative and the citizen, who should have the following documents:

Authorization from housing privatization commission at district, prefecture, or commune level, which assigns his own representing agent at the notary office.

Copy of privatization agreement.

Certification that the housing in question has been administered by the public works and housing enterprise.

General plan of the housing and layout of the unit.

On the basis of these documents, the mortgage office registers the ownership and issues the relevant ownership document. The expenses of these procedures are covered by the citizen.

9. Citizens with the status of prisoner, internee, or politically persecuted, as well as war invalids, will be given housing free of charge even when considered without shelter, in accordance with the shelter norms.

For the above-mentioned categories, a list will be compiled by the Ministry of Labor, Social Protection, Emigration, and the Politically Persecuted as decided by the Council of Ministers. This list will be sent to the housing privatization office through the privatization commission at district or prefect level.

10. Housings judged to be "prone to collapse" by the relevant commission will be transferred to its tenants free of charge. The list is to be compiled on the basis of existing documents as of the date of approval of this bylaw.

Tenants of this housing may take credits without interest from the National Housing Agency.

11. Housing to be privatized will be registered in the name of the tenant and of other adult (18 years and older) family members.

Cases where one or more adult family members might separate from the family, and controversies arise regarding payment of the charge for the housing, shall be resolved by the court. If there is more than one tenant for a dwelling unit, ownership of the unit shall be transferred in accordance with the portion of space occupied under the lease. In such a case, charges are calculated for the whole unit, without considering the number of persons. Differences based on the number of persons will be considered after calculation of charges per each tenant. Calculation of the charge to each shall be based on the ratio of occupancy for each under the lease. The kitchen will be considered a room and for calculation of differences per number of persons, the norm of two persons per room will be retained.

For example:

Two families live in a unit with one room and one kitchen, which is located on the ground floor of housing built in 1985 through voluntary contribution.

A family of three lives in the kitchen and a family of five lives in the room. The current lease for the unit (one room and one kitchen) is 50 Leks. The family in the kitchen pays 30 Leks. The family in the room pays 20 Leks.

According to the table, the tariff for one room and one kitchen is equal to 9000 Leks. From the total tariff, 7% is deducted from the floor effect and 10% for the voluntary contribution, thus:

$$9000 - (0.17 \times 9000) = 7470 \text{ Leks}$$

For the first family:

$7470 \times 3/5 = 4482$ leks.

For the second family:

$7470 \times 2/5 = 2988$ Leks.

According to person per room norms:

For the first family +1 person more

For the second family +3 persons more, thus:

For the first family:

$4482 - (0.10 \times 9000) = 3582$ Leks

For the second family:

$2988 - (3 \times 0.10 \times 9000) = 288$ Leks

Calculation by rounding of figures up to 1-3% of the tariff value is possible. When the calculations result in negative values, the housing is given free of charge to the citizen who is not entitled to any compensation.

12. In addition to the housing tariff, the citizen will pay the land tariff for the land where the housing is located. This is also in force for housing which will be privatized free of charge.

The charge will be based upon criteria decided upon by the Council of Ministers in 1992.

The amount of land for each tenant will be based on the surface of the land together with the borders around the building as well as land in co-ownership, if any is defined in co-ownership.

The law will consider as land that area under the building structure, the area in between buildings, and the area surrounding the building.

--The entire area around the building is not considered as a yard within the building is calculated: houses without rooms
 $1 + 1, 2 + 1, 3 + 1.$

--The construction surface of a floor is multiplied by the number of floors of the housing, not including common areas.

--The ratio of the land to be privatized with the total area of all the apartments and the housing results in a coefficient with the area of each separate apartment. Out of this there comes the part of the land for which each owner has to pay, which is multiplied with the relevant charge per meter.

Example 2:

The land to be privatized is 300 m² (construction surface + border surface + surface of yard, if any). The building has five floors and three apartments for each floor, as follows:

1) One room and one kitchen with an area of 60 m², not including common areas.

2) Two rooms and one kitchen with an area of 80 m², not including common areas.

3) Three rooms and one kitchen with an area of 100 m² not, including common areas.

The construction surface for all five floors is:

$$(5 \times 60) + (5 \times 80) + (5 \times 100) = 1200 \text{ m}^2$$

$$\text{Land} = 300 \text{ m}^2$$

$$\text{Coefficient (land/total building area)} = 0.25$$

The coefficient 0.25 is the constant multiplied by the respective area of each apartment, resulting in the relevant land area that each tenant has to privatize.

1) One room and one kitchen:

$$60 \times 0.25 = 15 \text{ m}^2$$

2) Two rooms and one kitchen:

$$80 \times 0.25 = 20 \text{ m}^2$$

3) Three rooms and one kitchen

$$100 \times 0.25 = 25 \text{ m}^2$$

In accordance with Council of Ministers' decision (1992) for the calculation of land, one m² of land is estimated at 100 Leks. To each apartment's value, which is calculated according to the table, is added the value of the land, as follows:

1) One room and one kitchen:

land 15 m² x 100 = 1500 Leks.

2) Two rooms and one kitchen:

land 20 m² x 100 = 2000 Leks.

3) Three rooms and one kitchen:

land 25 m² x 100 = 2500 Leks.

When the first floor of the building is a shop, calculations are made as above, considering the ground floor an apartment. In cases where there are two tenants of the same unit, the charge for the land will be divided among themselves according to the ratio of their separate rent versus the total rent of the apartment.

13. Pursuant to shelter norms in effect (4-6 m² per capita), the following specific cases will be considered as extra living space and as a separate room:

For apartments with three rooms and one kitchen:

a. When the family members are husband, wife, and two children of the same sex.

b. When the family members are husband, wife, one child over 10.

For apartments with two rooms and one kitchen:

a. When the family members are mother and daughter under 10.

b. When the family members are father and son under 10.

In these cases, the citizen has the right to privatize the building with extra area which makes a separate room. The estima-

tion of the building proceeds as follows: for the 3+1 apartment, a tariff corresponding to the 2+1 apartment will be taken and the extra room will be charged according to the extra tariff per m². For the 2+1 units, the corresponding tariff in the table for a 1+1 unit will be paid and for the extra room the extra tariff per m² will be paid.

In these cases, the smallest room will be considered the extra room.

Citizens who have scientific titles and grades, medical leave, or for other special cases, who according to the law are entitled to a separate room, are not considered. In the cases where they do not have such a room, a deduction of 10% is applied to the tariff for the purchase of the apartment.

Where there is a joining of two rooms with only one tenant, payment will proceed as follows:

The tariffs for each apartment will be calculated separately with the appropriate coefficient.

As a result of the calculation per capita, the joint rooms will be considered as a common apartment. In this case, one of the daily rooms (kitchen) will be considered a room.

Because of the existence of the auxiliary doubled environments, to the total tariff of both apartments, 30% of this tariff will be added when the joint rooms are without annexes, and 50% of this tariff will be added where apartments have annexes. This is the procedure for all kinds of joint rooms, even when they have floor differences.

Apartments with floor additions will be treated according to their construction year, reducing 5% of the total tariff.

Apartments with side additions--in case they form a separate room--the construction year and the type of the existing apartment is considered and, because of the additional room, there is an increase of 40% of the tariff for a "1+1" apartment in the construction year of the addition.

When this addition consists of two rooms, the construction year and the type of the existing apartment will be considered and for

the added rooms there will be an increase of 40% of the tariff on the "2+1" apartment in the construction year of the addition.

When these additions are built together with auxiliary environments, the increase of tariff will be 50% of the value of the respective apartment (1+1 or 2+1 type).

14. Housing built with voluntary labor will be treated the same as housing built by the construction enterprises, with a deduction of 10% from the apartment tariff.

15. For housing with no rooms, 60% of the tariff for a 1+1 type apartment is to be paid. Those built on or before 31.12.1970 will be given free.

16. Pursuant to the article 15 of the Law On Privatization of State Housing and the relevant decision of the Council of Ministers, the National Bank is in charge of compiling the lists of persons who have taken credits as well as the respective amounts. The Bank will determine the sum the National Housing Agency will deposit annually. The district branches of the Agency will coordinate the work with the district branches of the Bank for the verification and liquidation of the respective amount.

The remaining credit beyond the free limit (15,000 Leks) will be paid off by the citizen as before.

17. According to the relevant decision of the Council of Ministers for the homeless, privatization commissions in districts, municipalities, or communes will compile the respective lists for these citizens and send a copy to the National Housing Agency in districts for further procedures.

Homeless citizens will present the request to the district branches of the Agency so as to take on credits or recognition of the value of their benefit under the law. The amount of credit will be in accordance with the value of the housing which would belong to the citizen according to the existing residing norms.

In cases of requests for the acknowledgement of this benefit, the National Housing Agency may liquidate the obligations for the construction and repair of housing or liquidate through the district banks in cases where a house is bought by providing the respective notary act for this buying.

18. Citizens living in their own private houses that are under the shelter norms will present to the commission established for this purpose these documents:

--Request for benefits in the amount of 2600 Leks per capita, according to Article 16 of the Law on the Privatization of State Housing.

--The deed of title.

--Schematic drawing of the housing.

--Certificate of civil status.

--Certificate from the region on whether or not there are lease contracts.

After analyzing these requests, the privatization commission established in the municipality or commune compiles the respective list and submits it to the privatization commission in the district or municipality, and after having the approval of the district or municipality chairman, passes it on to the branch of the district Agency for further procedures.

The commission established in the district or municipality will not consider as tenants in private housing the members of the same family.

19. Citizens that reside on a short-term contract in basements or housing that does not fulfill hygienic or health norms shall request recognition of homeless status from the privatization commission, together with certification of the invalidity of their housing based upon hygienic or health concerns.

20. When a tenant has in his lease contract any area in a basement, the area will be privatized together with the apartment upon a tariff of 300 Leks per m². Disposition of basements that are not part of a lease contract will be determined by the municipality or commune.

The privatization office should present all these cases to the municipality or commune.

21. State housing in which citizens have made side additions, floor additions, hall, garage, etc., which change the configuration of the building, will not be privatized until the housing is returned to its original form. Town-planning sections and the

Public Works and Housing enterprises will compile lists of these cases and deliver them to the district privatization offices.

22. For preparation of the general plan, the outline of the unit planimetry, and other documents to be presented to the notary, the tenant shall pay a charge of 200 Leks to the district privatization office.

23. As for compensation of employees of the privatization offices and the respective commissions, the Ministry of Construction, Housing, and Territory Adjustment will determine a special fund according to criteria defined by the Council of Ministers.

24. The working groups are in charge of sending monthly information to the district privatization commissions as well as to the Central Commission.

This by-law goes into effect immediately.

FORM #1

HOUSING TECHNICAL AND ECONOMIC INDICATORS

- 1) Address
- 2) Construction Year
 - a. floor additions
 - b. side additions
- 3) Housing category __I __II __III
- 4) # of floors
- 5) # of units
 - a. with annex
 - b. without annex
 - a) 1+1 type
 with
 without
 - b) 2+1 type
 with
 without
 - c) 3+1 type
 with
 without
 - d) unit without rooms

The Working Group of the Privatization Office:

The Chief of the Privatization Office:

Date _____

FORM #2

MAIN INDICATORS FOR THE HOUSING UNIT

- 1) Address
- 2) Tenant
- 3) Housing composition based on the # of rooms
 - a. without annex
 - b. with annex
 - c. floor addition
 - d. side addition
- 4) Number of floors of the housing
- 5) Location of apartments
- 6) Category of housing
- 7) Number of family members according to the certificate given by the civil status office on 1.12.1992
- 8) Number of families living in apartments
- 9) Payment tariff
- 10) Calculations in accordance with the law, given in plus or minus (accounting of the total tariff)
 - a.
 - b.
 - c.
 - d.
 - e.

f.

11) Amount to be paid by the tenant:

The Working Group of the Privatization Sector:

The Chief of the Privatization Sector:

Citizen:

Date: _____

FORM #3

CONTRACT FOR PRIVATIZATION OF HOUSING

This contract is signed on _____ between Public Works and Housing Enterprise represented by _____ and Tenant # _____ for the privatization of the housing # _____ on _____ street, _____ building, _____ entrance, _____ floor, consisting of _____ rooms, _____ kitchen, with/without annex.

The unit was built in year _____. The side addition was built in year _____. The floor addition is built in year _____.

With the execution of Law # _____, dated _____, "On the Privatization of State Housing," the citizen is obliged according to Item 11, Form 2, to pay _____ Leks.

a. This sum is paid in full immediately, with a reduction of 20%. Money Order # _____, dated _____.

b. 50% of this sum is paid, with a discount of 10%. Money Order # _____, dated _____.

c. 25% of this sum is paid, with a discount of 5%. Money Order # _____, dated _____.

The remaining amount _____ Leks will be paid in installments of _____ Leks/month.

d. The entire housing value will be paid in installments of _____ Leks/month.

Installments shall be paid at the Public Works and Housing Enterprise every month, by the 28th of the coming month. If payment is missed for six successive months, the contract is considered terminated and the housing reverts to state property and the citizen reverts to a tenant.

Before the deed of title becomes official, the citizen has no right to sell the house or to make changes in it or change its

designation without prior approval from the Public Works and Housing Enterprise. The tenant becomes the owner of the unit with the signing of this contract and its registration in the mortgage office..

In a building with multiple co-owners, citizens are obliged to fulfill and respect all the obligations defined in the laws and regulations on co-ownership.

Chief of the Privatization Sector:

Citizen:

Date: _____

ANNEX C

Republic of Albania
Council of Ministers

DECREE

No. 48, dated 29.1.1993

ON IMPLEMENTATION OF LAW NO. 7652, DATED 23.12.1992,
"ON STATE HOUSING PRIVATIZATION"

For implementation of Law No. 7652, dated 23.12.1992, "On State Housing Privatization," on the proposal of the Ministry of Construction, Housing, and Territory Adjustment, the Council of Ministers

D E C R E E D:

1. There shall be established at the Ministry of Construction, Housing, and Territory Adjustment a Central Commission for State Housing Privatization, composed of representatives from the Ministry of Justice, the Ministry of Finance and Economics, the Ministry of Labour, Social Protection, Emigration, and the Politically Persecuted, the Ministry of Public Order, the Ministry of Industry, and the Albanian State Bank. The Central Commission is headed by the Minister of Construction, Housing, and Territory Adjustment.

2. The Central Commission of State Housing Privatization has the following powers and responsibilities:

- Organize state housing privatization on a national scale.
- Supervise implementation of the state housing privatization law.
- Collect data from district commissions.
- Introduce to the Council of Ministers issues which cannot be otherwise resolved.

3. The district privatization commissions shall be comprised of:

--The deputy chairman of the district council, who shall be chairman of the commission.

--The secretary of the municipality, who shall be secretary of the commission.

--Representatives from communes where state housing exists, from district and municipal public works and construction section, from district and municipal economics and finance section, from juridical and urban planning section, from the public works and housing enterprise, from the district office of the National Housing Agency, from the public order branch, from the tribunal and attorney's office.

4. The district privatization commissions shall have these powers and responsibilities:

--Implement state housing privatization law at respective district level.

--Supervise implementation of the housing privatization law.

--Compile the following data:

a) Houses which are under judicial process.

b) Citizens who have acquired land for housing construction.

c) Citizens who have benefitted from the law "On Land" and who have obtained a housing license after 31.7.1991.

d) Citizens who have gone abroad on mission and have not returned within six months after mission termination.

e) Citizens who are ex-imprisoned, interneers, politically persecuted or war invalids.

f) Lists of houses "prone to collapse" determined as of 31.12.1992 and certified in the respective minutes.

g) Citizens who have taken credit and benefit from the law "On State Housing Privatization."

h) Lists of formerly privately-owned state houses which are not privatized, as well as on those families living in such housing up to December 1992, who will be considered homeless.

5. By 10.2.1993, the district commissions shall organize work groups to establish state housing categories. The work groups shall be composed of the following persons:

--The chief of public works and housing section at district level, who shall be chairman of the commission.

--Membership from the district or commune public works section, urban planning section, public works and housing enterprise.

6. On the basis of criteria for fees charged, as determined by the state housing privatization law, the work group shall compile the state housing classifications according to the first, second, third, and special categories, which shall be approved by the Council of Territory Adjustment by 15.2.1993.

7. The work group shall submit to the district commission, by 15.2.1993, data on housing which cannot be privatized.

8. The district commissions shall present this documentation to the Central Commission by 20.2.1993. After giving due consideration, the Central Commission shall forward the documentation to the Council of Ministers for approval.

Councils of communes, municipalities, and districts, regardless of the proposals of the district commissions, shall submit to the Central Commission within the same time schedule, lists of housing which cannot be privatized.

9. Districts commissions, by 20.2.1993, shall establish work groups at the public works and housing enterprises, which shall carry out procedures with tenants who wish to become owners of their houses according to the state housing privatization law.

10. State housing privatization sectors shall be created out of state housing maintenance activities of the public works and housing enterprises. These enterprises must take measures for staffing so as to be able to effectuate the state housing privatization in due time, in accordance with the state housing privatization law. After termination of the privatization process, these sectors shall become part of the district branches of the National Housing Agency.

11. After 31.12.1993, rents for leasing of state housing shall be paid to the National Housing Agency.

12. The Ministry of Justice is charged with implementing the measures necessary for carrying out procedures for mortgaging.

13. The Ministry of Labour, Emigration, and the Politically Persecuted shall compile and hand over to the housing privatization commissions of districts and municipalities lists of persons who benefit from the status of convicted, interned, politically persecuted, or war invalid.

14. District branches of the National Bank shall compile and hand over to the National Housing Agency lists of citizens who take on credits and their respective amounts and who benefit from article 15 of the Law on State Housing Privatization.

15. In accordance with article 16 of the Law on State Housing Privatization, at each municipality or commune a special commission shall be established, which shall determine which citizens of private housing shall benefit from this law.

The current state of their housing will be considered, regardless of co-owners, to calculate the benefit.

16. In accordance with article 6 of the Law on State Housing Privatization, the minimum installment payment will be 250 Leks per month. In the future, this amount will be indexed in agreement with salary increases.

17. Payment for the purchase of housing will be made to the National Housing Agency, to a special account which will be established for this purpose.

18. The Bylaw of the Council of Ministers will be referred to for solution of problems arising during the implementation of the state housing privatization law.

19. The Ministry of Construction, Housing, and Territory Adjustment; the Ministry of Finance and Economics; The Ministry of Justice; the Ministry of Labour, Emigration, and the Politically Persecuted; the Ministry of Industry, Mineral, and Energy Resources; the Ministry of Public Order; the National Bank and the councils of districts, municipalities, and communes are charged with implementing this decision.

This decision is effective immediately.

PRIME MINISTER
ALEKSANDER MEKSI

ANNEX D

Republic of Albania
Council of Ministers

DECREE

No. 49, Dated 29.1.1993

"ON DEFINING CRITERIA FOR THE HOMELESS"

Pursuant to Law No. 7652, dated 23.12.1992, "On the Privatization of State Housing," upon the proposal of the Ministry of Construction, Housing, and Territory Adjustment, the Council of Ministers

D E C R E E D:

1. To consider as homeless:

a) Citizens that have no lease contract with the public works and housing enterprises, such as:

--Persons who have been transferred and have terminated their lease contract.

--Citizens who separate from the family and according to existing housing norms are not considered to be tenants and who possess no room, when they have a child under 10 years old, or when they have a child over 10 and have no kitchen.

b) Citizens who have a temporary residence in buildings that are not included in the housing stock, such as boarding houses, hotels, schools, administrative centers, and the like.

c) Citizens who live in basements, or housing that does not meet hygienic and health conditions, have no bathroom or hydro-sanitary installations.

d) Citizens who reside in state housing which has formerly been private property, as well as those who are tenants in such housing.

e) Citizens who as a result of court decisions have temporary housing.

2. The district privatization commissions, municipalities, and commune councils are charged with determining which persons are in these categories and with compiling lists of such persons, certified by the chairman of the district or municipality, and forwarding the lists to the relevant district office of the National Housing Agency.

3. All persons considered homeless under this decision must have a residing license in the town as of 1.12.1992.

This decision is effective immediately.

ANNEX E

**Republic of Albania
Council of Ministers**

D E C R E E

No. 46

Dated: January 29, 1993

ON THE TREATMENT OF DWELLING UNITS IN PROGRESS SINCE 1992

Pursuant to Law No. 7652, dated December 23, 1992, "On the Privatization of State Housing," under the proposal of the Ministry of Construction, Housing and Territory Adjustment, the Council of Ministers

D E C R E E D:

1. Dwellings in progress since 1992 are divided into:

(a) Dwellings built by the economic enterprises with volunteer labor.

(b) Dwellings built with the investment of the construction enterprises under the Ministry of Construction, Housing and Territory Adjustment.

2. Dwellings in progress built by the economic enterprises with volunteer labor will be treated as follows:

(a) Dwellings with only minor work to be completed and which have been turned over to the control of the state management enterprise will be completed with funding by the 1993 state budget.

This category of dwellings will be treated in accordance with the Law on Privatization of State Housing, applying a surcharge of 20 percent over the basic fee.

(b) Dwellings with construction in progress from the second floor to the top floor will be treated as follows:

The value of the work done to date will be given to the economic enterprises free of charge. The economic enterprises will complete the construction of these dwellings with their own funds and allocate them to the employees in accordance with their rules in effect.

If the economic enterprise fails to finish a dwelling with its own funds, it should distribute the dwelling to its employees without charge for the value of the work done to date. The employees will be obliged to complete the dwellings with their own funds, in conformity with the project as a whole and the technical terms of construction.

Four months after the effective date of this decision, if the economic enterprise has not resolved the issue of completion of the construction by means given in the two paragraphs above, these dwellings and the value of their cost to date will be transferred to the ownerships of the municipalities and communes.

(c) Dwellings with construction in progress with only the foundations or the first floor completed shall be handled by the National Housing Agency, and all rights of the economic enterprises to these dwellings are terminated.

3. Dwellings in progress built by the construction enterprises of the Ministry of Construction, Housing and Territory Adjustment will be treated as follows:

(a) The Ministry of Construction, Housing and Territory Adjustment will take the necessary steps to continue the work.

(b) Dwellings with only minor work to be completed and which have been turned over to the control of the state management enterprise will be completed with funding by the National Housing Agency. The state budget will fund the cost of the infrastructure network.

This category of dwellings will be treated in accordance with the Law on Privatization of State Housing, applying a surcharge of 20 percent over the basic fee.

(c) Costs incurred through December 31, 1992 for dwellings in progress other than those included in paragraph 3(b) should not be included in the price of the dwelling. Their price shall include only expenditures of the National Housing Agency for the completion of the dwellings.

4. The authorizations issued to other buildings in progress, besides those mentioned in paragraphs 2(a), 2(b) and 3(b) will be

considered invalid. The municipalities and communes will allocate these dwelling units according to criteria established by the Council of Ministers.

5. Citizens whose houses have been demolished as a result of implementation of the urban plan will be allocated housing in accordance with the Law on Privatization of State Housing.

6. The Ministry of Construction, Housing and Territory Adjustment shall be responsible for implementation of this Decree.

PRIME MINISTER

ALEKSANDER MEKSI

ANNEX F

CONDOMINIUM LAW

**Republic of Albania
People's Assembly**

On the basis of Article 16 of Law No. 7491 dated 29.04.1991 "On the Main Constitutional Provisions," upon the proposal of the Council of Ministers, People's Assembly of the Republic of Albania,

D E C I D E D :

CHAPTER I - GENERAL PROVISIONS

Article 1. Purpose.

The purpose of this law is to determine the legal status of condominium in residential flats and commercial premises and to legalize the right of ownership of a unit in a condominium property.

Article 2. Applicability.

This Law may be applied to all multi-unit apartment buildings within the Republic of Albania, whether existing on the effective date of this Law or constructed thereafter.

Article 3. Relationship To Other Laws.

No other laws may prohibit the condominium form of ownership or impose any requirement upon a condominium not imposed by this Law.

Article 4. Definitions.

Unless otherwise specifically provided or the context otherwise requires, in this Law:

(a) "Allocated interests" means the indivisible ownership interest in the common property, the common expense liability, and the voting power in the association which are allocated to each unit. Interests will be allocated to each unit on the basis of the ratio of the number of square meters in the unit to the total number of square meters in all of the individual units.

(b) "Association" means the organization of owners of all units in a condominium building.

(c) "Common expenses" means expenditures or financial liabilities of the association in relation to the common property.

(d) "Common expense liability" means the liability for common expenses allocated to each unit.

(e) "Common property" means all portions of a condominium property other than the units. Common property is indivisibly and jointly owned by the owners of individual units in accordance with their allocated interests. Common property includes all parts of the property not intended for individual use, such as: the land and grounds under and surrounding the building, the foundations, supporting walls, roof, terraces, stairways, hallways, lifts, pathways, cellars, wells, and water reservoirs. Common property also includes parts of the building for common use which have been installed or fixed during the construction of the building or which have been set up later by the owners, such as: sewerage channels, discharging columns, chimneys, electrical systems, waterworks, and gas or heating systems that may pass through the common property to distribution points in the individual units.

(f) "Condominium" means real estate, portions of which are designated as individual units for separate ownership, and the remainder of which is designated as common property for joint ownership by the owners of the units. Real estate is not a condominium unless the undivided interests in the common property are vested in the owners of the units and may not be separated from the owners' interests in the units.

(g) "Foundation deed" means the instrument which, upon registration in the real property registration office, creates a condominium, and which is a binding agreement between the founder and the unit owners and among the unit owners in the condominium.

(h) "Founder" means any legal entity, including a state, local government, business enterprise, person, or group of persons acting together, by or on behalf of which a foundation deed is registered, and which offers to sell, convey, or otherwise transfer units within a condominium to individual ownership.

(i) "Unit" means a portion of a condominium designated for individual ownership, which together with an undivided proportionate share of the common property, constitutes a separate parcel of real estate. Except as otherwise provided in this Law

or in the foundation deed, ownership rights in a condominium unit are to be treated on the same basis as the rights of ownership of other real property.

(j) "Unit owner" means one or more persons who own a condominium unit.

CHAPTER II - CREATION OF A CONDOMINIUM; FOUNDATION DEED

Article 5. Registration.

A. A condominium is created by registration of a foundation deed in the real property registration office in the jurisdiction where the condominium is located, in accordance with applicable laws and regulations regarding registration of interests in real estate.

B. At the time a condominium is registered in the real property registration office, each individual unit together with its allocated share of the common property shall be separately registered and shall constitute a separate parcel of real estate. As ownership of each unit is transferred from the founder to an individual owner and for each transfer of ownership of the unit thereafter, the date of the transfer and the name of the individual owner, together with any other information required for registration of real estate in the real property registration office, shall be registered in the real property registration office for that unit.

Article 6. Foundation Deed.

A foundation deed must contain:

(a) a description of the property comprising the condominium, including the land and the building structure, that is legally sufficient for registration in the real property registration office;

(b) plans or drawings sufficient to identify, by location and floor area, each individual unit within the building structure;

(c) the allocated interests appurtenant to each unit, expressed as a percentage or proportionate share of the total allocated interests in the condominium;

(d) a description of the common property; and

(e) procedures for forming and operating an association of unit owners.

Article 7. Allocated Interests.

The foundation deed must allocate to each unit a fraction or percentage of undivided interest in the common property, liability for common expenses, and voting power in the association, and state the formula used to establish the allocations. The allocations may not discriminate in favor of units owned by the founder.

Article 8. Co-Ownership of Units.

In units with more than one owner, co-ownership relations among owners shall be regulated in accordance with the provisions of this Law and the foundation deed.

Article 9. Addition or Withdrawal of Units.

If units may be added to or withdrawn from the condominium, the foundation deed must state the formula to be used to recalculate the allocated interests among all units included in the condominium after the addition or withdrawal.

Article 10. Sum of Allocated Interests.

The sum of the allocated interests of all the units must equal one (1) if the allocated interests are stated as fractions or one hundred percent (100%) if the allocated interests are stated as percentages.

Article 11. Amendment of Foundation Deed.

Agreement of all unit owners is necessary to amend or modify the foundation deed. Any amendment or modification must be registered in the real property registration office.

CHAPTER III - RIGHTS AND RESPONSIBILITIES OF UNIT OWNERS

Article 12. General Rights of Ownership.

The owner of a unit has the right to occupy, sell, rent, bequeath, mortgage, or otherwise use the unit in accordance with the norms of ownership and the general provisions of the Civil Code concerning the use and transfer of privately owned real

estate, except that the unit and its allocated interest in the common property cannot be sold or otherwise transferred separately.

Article 13. Rights and Responsibility of Founder As Unit Owner.

So long as some units are not sold or remain under the ownership and control of the founder, the founder shall remain the owner of an interest in the common property to the extent of the interests allocated to the unsold units, and shall contribute to common expenses in accordance with such allocated interests.

Article 14. Obligations of Tenants of Owners.

A tenant of a unit owner may not participate in the management of the condominium or the decision-making of the association, but must comply with rules adopted by the association insofar as such rules are applicable to all occupants of condominium property.

**CHAPTER IV - MAINTENANCE, REPAIR,
AND IMPROVEMENT OF THE PROPERTY**

Article 15. Maintenance of Individual Units; Access to Units.

A. The owner of a unit is obligated to maintain the unit in good repair at the owner's own expense. In maintaining the unit, no owner may infringe upon, damage, or endanger the common property or the property of any other owner.

B. Upon 15 days' notice, an owner is obligated to admit a representative of the association or management to the unit when it is necessary to inspect, repair, or replace elements of the common property that may conveniently be reached only from the unit, except for urgent cases, when no such notice is required.

Article 16. Management, Maintenance, and Repair of Common Property.

Ordinary management, maintenance, and repair of the common property is the responsibility of the association, and the expenses incurred in performing these responsibilities shall be common expenses. The association may hire other persons or enter into contracts for the performance of these services.

Article 17. Renovation and Improvement of Common Property.

Ordinary improvements to the comfort and efficiency of the condominium property may be undertaken by the association upon approval by a majority of the voting interests. Major equipment such as hot water boilers, central heating, water reservoirs, lifts, or other improvements of similar magnitude may be undertaken by the association only with the approval of at least seventy five percent (75%) of the voting interests.

Article 18. Alterations to Units by Unit Owners.

A unit owner may make any improvement or alteration to the unit that does not impair the structural integrity of the building or any other individuals unit. A unit owner may not change the

appearance of the common property without first receiving the permission of the association.

Article 19. Altering Boundaries Between Units and Common Property.

The boundaries between adjoining units may be relocated by agreement of the owners of the affected units and upon approval by the association. The boundaries between individual units and the common property may be changed only upon amendment of the foundation deed with the unanimous consent of the owners.

Article 20. Damage to Common Property or Other Units.

If the owner of a unit or any person acting on behalf of the owner causes damage to any part of the common property or any other unit, the owner of the unit must repair the damage or pay the costs of repair.

Article 21. Insurance.

A. Each unit owner shall be responsible for insuring his property.

B. The association shall insure the common property against risks of physical loss, damage, and the like.

CHAPTER V - ASSOCIATION OF UNIT OWNERS

Article 22. Formation of Association.

An association of unit owners shall be formed and an organizational meeting of the association convened by the founder within sixty (60) days of the date when at least one third (33-1/3%) of the allocated interests in the condominium have been conveyed by the founder to individual ownership. The membership of the association shall consist of the owners of all units, including the founder so long as the founder continues to own one or more units in the condominium.

Article 23. Meetings of Association; Notice.

After the first organizational meeting, a meeting of the association must be held at least once each year. Special meetings of the association may be called at any time by the executive board or by unit owners representing at least twenty percent

(20%) of the allocated interests. All owners must be provided with notice of any meeting of the association at least ten (10) days before the date of the meeting.

Article 24. Quorum.

An association meeting may be convened and decisions made if at least two-thirds (66-2/3%) of the voting interests are present, in person or by proxy. If a quorum is not present, the meeting may be adjourned and reconvened. At the reconvened meeting, decisions may be made regardless of the share of voting interests present.

Article 25. Voting.

Unless otherwise provided by this Law or the foundation deed, decisions of the association shall be made upon the vote of a majority of the allocated interests. The votes allocated to each unit cannot be divided. Votes may be cast by proxy so long as the proxy is in writing and signed by the owner on whose behalf the votes are to be cast. In case of a tie vote, the vote of the chairman is decisive.

Article 26. Powers of the Association.

In accordance with provisions of this Law and the foundation deed, the association has the power to:

(a) adopt and amend budgets for revenues, expenditures, and reserves; collect regular and special assessments for common expenses from unit owners;

(b) hire and discharge a property manager or other employees or personnel to manage and operate the condominium;

(c) initiate or defend in legal actions in its own name on behalf of itself or the unit owners on matters relating to the condominium;

(d) make contracts and incur liabilities on behalf of itself or the unit owners in matters relating to the condominium;

(e) regulate the use, maintenance, repair, replacement, and modification of the common property;

(f) maintain, to the extent reasonably available, insurance on the common property of the condominium against risks of loss or liability;

(g) impose charges for late payment of assessments;

(h) adopt and amend bylaws and rules and regulations; and

(i) exercise other powers conferred by the foundation deed or by affirmative vote of the unit owners.

Article 27. Borrowing By the Association.

A. The association may enter into agreements to borrow money for repairs or improvements to the common property or for operating costs of the condominium with the approval of a majority of the voting interests at a meeting of the association. Such borrowing may be secured with the future cash flow of the association, including the association's right to receive payments for common expenses.

B. To place a mortgage or otherwise secure a loan with the real property of the condominium, the association must obtain the unanimous consent of the owners. Each unit owner is free to mortgage his/her individual unit and allocated interest in the common property without the consent of the association or the other owners.

Article 28. Minority Rights.

If a decision of the association is contrary to law or the foundation deed, or leads to considerable grievance of the interests of a minority of the unit owners, any owner may commence a legal action to challenge the validity of the decision within sixty (60) days of when it is made. Such legal action shall not interfere with the execution of the decision by the association unless the court determines that the execution of the decision should be suspended.

CHAPTER VI - EXECUTIVE BOARD

Article 29. Election of Executive Board.

At the organizational meeting of the association, the unit owners shall elect an executive board composed of unit owners, and shall determine the number of members of the executive board and the length of the term for which they shall serve. The candidate who receives the highest number of votes shall be chairman.

Article 30. Authority of Executive Board.

Except for powers exclusively reserved to unit owners in this Law or the foundation deed, the executive board may act on behalf

of the association in managing and operating the condominium. The executive board may hire personnel or appoint other persons as it deems necessary for carrying out its responsibilities.

Article 31. Authority of the Chairman of Executive Board.

The chairman of the executive board may represent the association in executing contracts and otherwise assuming obligations on behalf of the association, and may represent the association against third parties, including in legal action brought by the association against an owner who has failed to fulfill obligations to the association or in legal action brought by an owner to challenge a decision made by the association.

CHAPTER VII - COMMON EXPENSES; COLLECTION OF ASSESSMENTS

Article 32. Annual Budget for Common Expenses; Fiscal Year.

A. The fiscal year of the association shall be determined by the association at the organizational meeting.

B. Prior to the beginning of the next fiscal year and for each fiscal year thereafter, the executive board shall cause to be prepared and presented to the unit owners an annual budget sufficient to cover the anticipated expenses of maintaining and operating the common property and, if the establishment of a reserve account for replacement and improvement of the common property is approved by the unit owners, an amount needed to fund such an account. The annual budget shall be subject to approval by a majority of the allocated voting interests at a meeting of the association.

Article 33. Obligation to Pay Common Expenses.

All unit owners are required to pay in advance their allocated portion of the annual budgeted common expenses. Such payments may be made on a monthly basis at the beginning of each month of the fiscal year for which the common expenses have been budgeted.

Article 34. Special Assessments for Common Expenses.

Upon the affirmative vote of two thirds (66-2/3 percent) of the ownership interests, a special assessment in excess of the budgeted common expenses may be levied upon the unit owners to meet unanticipated and necessary expenses. Such special assess-

ments shall be paid in accordance with terms adopted by the association at the time the special assessment is levied.

Article 35. Delinquency in Payment of Common Expenses.

(A) The association may impose interest in an amount up to the highest rate allowable by law against any owner who is delinquent in payment of common expenses, including special assessments, for more than thirty (30) days after any such payment is due.

(B) The association has the right to bring a legal action against any owner who is delinquent in payment of common expenses, including special assessments, for more than ninety (90) days after any such payment is due.

(C) A judgment in favor of the association for sums due from any owner may be enforced in any manner permissible by the Civil Code for collection of debts.

CHAPTER VIII - MISCELLANEOUS

Article 36. Termination of the Condominium.

(A) Except in the case of a taking of the entire condominium property by eminent domain, a condominium may be terminated and the property liquidated only by agreement of at least eighty percent (80%) of the voting interests, unless the foundation deed provides otherwise. Proceeds from a taking or termination and liquidation of the assets of the condominium shall be distributed to the owners in accordance with their allocated interests.

(B) Termination of the condominium shall be reported to the real property registration office.

Article 37. Implementation; Bylaws.

The Council of Ministers shall issue bylaws for the implementation of this Law.

Article 38. Effective Date.

This Law shall come into effect thirty (30) days after being issued.

Tirana, on:

No. of Law:

CHAIRMAN

PJETER ARBNORI

ANNEX G

**ON AN ADDITION TO DECREE NO. 431, DATED DECEMBER 10, 1992,
ON THE ESTABLISHMENT OF THE NATIONAL HOUSING AGENCY**

**Republic of Albania
Council of Ministers**

For the realization of economic reform in the housing sector, upon the proposal of the Ministry of Construction, Housing and Territory Adjustment, Ministry of Finance and Economy, and the Council of Ministers.

D E C I D E D:

**The following supersedes Decree No. 431, dated December 10, 1992,
on the Establishment of the National Housing Agency.**

Article 1 - Creation of the Agency

1.1 The National Housing Agency (hereinafter "Agency") is hereby founded as a juridical person and state enterprise, in accordance with the Law on State Enterprises, Law No. 7582, dated July 13, 1992. The Agency is an independent administrative agency of the Department of Construction, Housing and Territory Adjustment, and is located in the City of Tirana.

1.2 The Agency is created for purposes of the financing, allocation, and administration of certain dwelling houses within the Republic of Albania.

Article 2 - Functions of the Agency

2.1 The Agency has the following powers and responsibilities:

(a) financing and entering into contracts for the construction, completion, and sale of dwellings;

(b) establishing and implementing technical specifications for the construction and completion of dwellings;

(c) establishing and implementing competitive bidding procedures for use in contracting for the construction and completion of dwellings;

(d) entering into and complying with agreements to acquire funds to carry out its activities, on such terms as approved by the Board of Directors;

(e) providing loans to eligible purchasers, including private individuals, of dwellings completed with funds provided by the Agency;

(f) cooperating with districts, municipalities, and other agencies of the Ministry of Construction, Housing and Territory Adjustment in the performance of their responsibilities relating to housing;

(g) on behalf of the state, acting as the founder of condominiums to establish condominiums in state-owned housing;

(h) representing the state in the association of unit owners in condominiums established in state-owned housing;

(i) conducting studies of design and construction norms; and

(j) conducting studies of housing needs and allocations.

Article 3 - Board of Directors; General Manager

3.1 The Board of Directors shall consist of five (5) persons. The Minister of Construction, Housing and Territory Adjustment shall serve as an ex officio member of the Board of Directors. One director shall be appointed by each of the following: the Ministry of Finance and Economy; the Ministry of Work, Emigration, Social Assistance and Political Prisoners; the Albanian National Bank; and the National Savings Bank.

3.2 The Board of Directors shall elect a Chairman from among its members.

3.3 The Board of Directors shall elect a General Manager, choosing among not less than two (2) candidates nominated by the Minister of Construction, Housing and Territory Adjustment.

3.4 The Board of Directors shall appoint such persons as it deems to be necessary to carry out the rights and duties of the Agency and perform the administrative functions of the Agency.

3.5 Such persons, including the General Manager, shall serve at the pleasure of the Board of Directors.

Article 4 - Sources of Funds

4.1 For the exclusive purpose of carrying out its powers and responsibilities, the Agency may acquire and allocate funds from the following sources:

- (a) revenues allocated to the agency in the budgets of the state and municipalities;
- (b) revenues realized through loans or credits provided by domestic [Albanian] or foreign financial institutions;
- (c) revenues realized through grants provided by other domestic or foreign entities;
- (d) revenues realized through investment of funds belong to the Agency;
- (e) revenues realized through the privatization of dwellings;
- (f) revenues realized through the sale of dwellings; and
- (g) whatever other revenue and fixed or movable assets which the Agency legally may acquire.

Article 5 - Capitalization

5.1 The Agency's initial capital fund shall be five million (5,000,000) lek provided in a reserve fund established by the Council of Ministers in 1992.

Article 6 - Financial Accountability

6.1 Annual accounts of the Agency shall be reviewed and certified by independent auditors, in accordance with the Law of State Enterprises.

6.2 Each annual account, audited in accordance with paragraph 6.1, and an annual statement of the financial activity of the Agency, approved by the Board of Directors, shall be provided to the Ministry of Construction, Housing and Territory Adjustment, the Ministry of Finance and Economy, the Ministry of Work, Emigration, Social Assistance and Political Prisoners, and the Council of Ministers.

6.3 Each annual account, audited in accordance with paragraph 6.1, and an annual statement of the financial activity of the Agency shall be provided to each domestic or foreign financial institution or other entity that provides loans, credits, or grants to the Agency.

Article 7 - Implementing Bylaws and Regulations

7.1 Implementing regulations and procedures for the Agency and any sub-departments or offices of the Agency shall be established in Bylaws of the Agency, which shall be subject to the approval of the Minister of Construction, Housing and Territory Adjustment.

Article 8 - Effective Date

8.1 This Decree comes into effect immediately.

PRIME MINISTER

ALEKSANDER MEKSI

Date:

ANNEX H

CONDOMINIUM FOUNDATION DEED

(Declaration Establishing A Plan For Condominium Ownership
In A Condominium Founded By The National Housing Agency)

CHAPTER I - SUBMISSION OF PROPERTY

Article 1. The National Housing Agency (the "Founder") hereby submits certain real property located at _____ of _____ [street and number], in the City of _____, for condominium ownership ("the Property"). The Property is registered in the Real Property Registration Office under Plot Registration No. _____. There has been constructed upon the Property a building consisting of a number of individual residential apartments and commercial premises (the "Units"), together with certain common areas and facilities that are not part of any residential apartment or commercial premises (the "Common Property").

Article 2. Founder submits the Property to create a plan of condominium ownership of the Property, in accordance with Law _____ of 1993 of the Republic of Albania [the Condominium Law]. Each of the individual Units shall be conveyed in freehold ownership. The Common Property shall be jointly owned by the owners of the Units in accordance with each Unit's proportionate ownership interest in the Property. The proportionate ownership interest shall be the same as the percentage share given for each Unit in Article 3, below.

Article 3. Listed below are each of the Units in the Property and, for each Unit, the number of square meters of floor space and that Unit's percentage share of the total number of square meters of floor space of all of the Units combined.

UNIT NUMBER	SQUARE METERS	PERCENTAGE SHARE/ OWNERSHIP INTEREST
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CHAPTER II - REGISTRATION OF CONDOMINIUM

Article 4. To establish the Condominium, this Foundation Deed, together with a description of each of the Units in the Condominium, shall be registered in the Real Property Registration Office under the denomination "Condominium," as part of the real estate registration under Plot Registration No._____.

Article 5. A separate registration sheet shall be opened for each of the Units subject to private ownership, as Condominium No._____, Unit Nos.____ through _____. The description of each Unit shall include the number, floor and door designations, and the number of square meters, the number of rooms and any other premises that are part of the Unit, and the Unit's percentage share or ownership interest. As each Unit is transferred from the Founder and upon each resale thereafter, the name of each owner of each Unit shall be listed on the separate registration sheet for that Unit.

CHAPTER III - PLAN OF OWNERSHIP

Article 6. Each Unit consists of the spaces or areas contained within the perimeter walls of the Unit. The walls and partitions contained within a Unit, and the inner decorated or finished surfaces of the perimeter walls, floors and ceilings, shall be deemed to be part of the Unit in which they are contained.

Article 7. Ownership of each Unit shall include ownership of an appurtenant undivided interest in the Common Property, in the proportionate share given for that Unit in Article 3. The Common Property shall include all parts of the building and property of the Condominium that are not part of or within a Unit, including but not limited to the land, roof, main walls, slabs, elevator, elevator shaft, corridors, staircases, lobbies, halls, attics, cellars, parking spaces, storage spaces, community facilities, heat and hot water equipment, trees, pavement, balconies, pipes, wires, conduits, air conditioners and ducts and public utility lines.

Article 8. The outer surfaces of the perimeter walls, floors, and ceilings surrounding the respective Units, and any pipes, wires, conduits, or other utility lines running through the respective Units that are utilized for or serve more than one Unit, shall be deemed to be Common Property and not part of any Unit.

Article 9. Each Unit, together with its appurtenant undivided interest in the Common Property, shall constitute an individual

parcel of real estate, and shall form a unity which may only be alienated together. Subject only to that limitation and the laws and regulations applicable to all individually owned real property, each Unit may be sold or otherwise freely disposed of by its owner. Each owner may possess and use its individual property, whether for residential or non-residential purposes, in any manner not inconsistent with law or with this Foundation Deed.

CHAPTER IV - ADMINISTRATION OF THE CONDOMINIUM

Article 10. Upon becoming an owner of a Unit, each owner automatically shall become a member of the Unit Owners' Association (the "Association") of the Condominium, and shall remain a member of the Association until such time as ownership ceases.

Article 11. All agreements and decisions made by the Association in accordance with the voting percentages established by law and in this Foundation Deed, shall be deemed to be binding on all owners of Units.

Article 12. At the first General Assembly held after the establishment of the Condominium, the owners shall elect an Executive Board which shall be authorized to act on behalf of the owners in the operation and management of the Condominium, except for matters for which a vote of the owners is deemed to be necessary by law or by this Foundation Deed. Decisions that require a vote of the owners shall be made at a General Assembly of the owners.

Article 13. The Executive Board shall meet periodically but not less than four times during a calendar year. The number of members and length of the term of office of the members of the Executive Board shall be determined by the owners at the first General Assembly after the establishment of the Condominium. The person who receives the highest number of votes in an election of the Executive Board shall serve as the chairman and presiding officer of the Executive Board and the Association.

Article 14. The unit owners may elect an Account Auditing Committee to review the accounts of the Association and advise the Executive Board on the financial affairs of the Association. If there is an Account Auditing Committee, it shall report to the General Assembly at least once a year on the financial status of the Association.

Article 15. A General Assembly shall be convened at least once each year. The chairman of the Executive Board may convene a special General Assembly whenever it is deemed to be necessary,

or upon the request of any owner. The chairman of the Executive Board must convene a General Assembly within 21 days of receiving a request from the owners of 20% or more of the ownership interests.

Article 16. Notice of the convening of a General Assembly shall be given in writing, delivered in person or by first class mail, at least 10 days before the date of the meeting. Such notice must include the date, time, and place of the General Assembly, and an agenda of matters to be considered there.

Article 17. To convene a General Assembly, a quorum of at least 2/3 of the ownership interests must be present in person or by proxy. If there is no quorum, the General Assembly may be adjourned and reconvened at any time thereafter. At the reconvened General Assembly, the owners may decide the matters included on the agenda of the first scheduled meeting, regardless of whether or not a quorum of 2/3 is present.

Article 18. Decisions of the General Assembly shall be made by majority vote, that is, the vote of more than 50% of the ownership interests that are present and voting at the General Assembly, except where a higher number is required by law or this Foundation Deed. In case of a tie vote, the vote of the presiding officer shall be decisive.

Article 19. A unanimous vote of the ownership interests must be had for the following decisions: (a) modification of the Foundation Deed; (b) dissolution of the Condominium and sale of the entire Condominium property; (c) pledging the entire Condominium property as security for a loan or mortgage.

Article 20. Each Unit shall be allocated a number of votes in accordance with its proportionate ownership interest as given in Article 3. The votes appertaining to any Unit cannot be divided. For any Unit for which there is more than one owner, if only one co-owner is present at a General Assembly that person shall be entitled to cast the votes. If more than one co-owner is present, the votes shall be cast only in accordance with the unanimous agreement of the co-owners, which consent shall be presumed to have been given if any one of the co-owners purports to cast the votes without protest being made to the presiding officer by any other co-owner.

Article 21. Votes may be cast by proxy presented to the presiding officer of the General Assembly prior to the commencement of the meeting. A proxy must be in writing and dated, and must be executed by or on behalf of all co-owners of the Unit for

which the votes are to be cast. A proxy shall be revocable only upon actual notice to the presiding officer of the General Assembly, and shall terminate automatically upon the adjournment of the first General Assembly held on or after the date of the proxy.

Article 22. Decisions and minutes of the General Assembly must be put in writing and kept among the records of the Association. The minutes of the previous General Assembly must be approved at the next General Assembly.

CHAPTER V - CONTRIBUTION TO COMMON EXPENSES

Article 23. The Association shall be responsible for operating and managing the Condominium and for maintaining, repairing, renovating, or improving the Common Property, the costs of which shall be deemed to be Common Expenses. The owners shall be liable to pay to the Association their share of the Common Expenses, in accordance with their proportionate ownership interest as given in Article 3.

Article 24. The amount of the assessment for Common Expenses shall be determined in an annual budget to be adopted by the owners at a General Assembly prior to the beginning of each fiscal year. The Executive Board shall prepare a proposed budget and submit it to the owners at the same time that notice of the General Assembly is given.

Article 25. In the event that the assessment is inadequate because of unanticipated Common Expenses, a special assessment may be made upon the approval of 2/3 of the ownership interests at a General Assembly. A special assessment shall be paid by the owners in accordance with their respective proportionate ownership interests, on such other terms as approved by vote of the owners.

Article 26. A renovation fund may be established, the amount of which shall be determined as part of the budget to be adopted by the General Assembly. All owners shall contribute to the renovation fund as a portion of their regular condominium assessment, in proportion to their ownership interest.

Article 27. No owner of any Unit shall be exempt from liability for contribution toward the Common Expenses by waiver of the right to use and enjoyment of any of the Common Property or facilities or by the abandonment of the Unit or otherwise.

CHAPTER VI - DEFAULT IN PAYMENT OF ASSESSMENTS

Article 28. Nonpayment of any regular or special assessment or portion thereof by any owner for more than 30 days after any such payment is due shall constitute a default. Interest in an amount to be set from time to time by the Executive Board but not higher than the highest legal rate shall be charged and payable to the Association by the defaulting owner for any assessment in default.

Article 29. Suit to recover a money judgment for assessments in default and interest due thereon shall be maintainable by the Association against the owner(s) of a Unit for which any assessment is in default for more than 90 days.

CHAPTER VII - RESTRICTIONS ON USE; CONSTRUCTION

Article 30. Each owner is entitled to use the Common Property within the Condominium, subject to any restrictions in the law or regulations of the authorities, this Foundation Deed, or any Bylaws or Rules and Regulations of the Association, but no owner may exercise the right to use the Common Property in such a manner as to harm the rights or interests of any other owner.

Article 31. An owner of a commercial Unit is entitled to use such Unit subject to any restrictions in the law or regulations of the authorities, this Foundation Deed, or any Bylaws or Rules and Regulations of the Association, but no owner may use a commercial Unit in such a manner as to harm the rights or interests of any other owner.

Article 32. An owner of a residential Unit is entitled to use such Unit as a dwelling for the owner, his/her family, tenants or guests. An owner of a residential Unit shall have the right to lease the Unit provided the tenant agrees that its use of the premises will be subject to the restrictions in this Foundation Deed or any Bylaws or Rules and Regulations of the Association.

Article 33. The owner of a Unit is responsible for maintaining the Unit in good repair and is liable for any damage caused by failure to do so. The owner of a Unit may perform construction in or renovation of the Unit so long as such work is performed solely at the expense and risk of the owner, and in accordance with any requirements of the municipal authorities and with this Foundation Deed and any Bylaws or Rules and Regulations of the Association.

Article 34. Ordinary maintenance or repairs of the Common Property shall be performed upon the determination of the Executive Board or the owners at a General Assembly that such maintenance or repairs are necessary for the upkeep of the Property. Ordinary improvements in the comfort and efficiency of the Property may be undertaken upon a majority vote of the ownership interests at a General Assembly. Installation of major equipment or other improvements of similar magnitude may be undertaken upon a vote of 75% of the ownership interests at a General Assembly.

Article 35. Representatives of the Condominium shall be permitted to enter a Unit, after giving at least 15 days' notice to the owner, to make repairs, perform maintenance, renovate or replace Common Property within the Unit. If the need for access to a Unit is urgent, no such notice shall be required.

CHAPTER VIII - ENFORCEMENT; BYLAWS; RULES AND REGULATIONS

Article 36. Administration of the Condominium shall be in accordance with the provisions of this Foundation Deed and any Bylaws or Rules and Regulations of the Association which shall be adopted by vote of the owners at a General Assembly.

Article 37. Each owner, tenant, or occupant of a Unit shall comply with the provisions of this Foundation Deed and any Bylaws or Rules and Regulations of the Association, and with duly adopted decisions and resolutions of the Association. Failure to comply with any such provisions, decisions, or resolutions shall be grounds for an action brought in the name of the Association to recover damages or to seek injunctive relief against the owner in cases where the owner is in violation. In cases where a tenant or other occupant of the Unit is in violation, the Association may bring an action against the tenant or other occupant, or the owner of applicable Unit, or both, at the Association's option.

Article 38. If a decision of the General Assembly or the Association or its representatives is contrary to law or this Foundation Deed, or leads to considerable grievance of the interests of a minority of the owners, any owner may commence a legal action against the Association for invalidation of the decision within 60 days of when it is made. The legal action does not suspend the execution of the action unless the court determines that such suspension is reasonable. The chairman of the Executive Board shall represent the Association in actions commenced against it by an owner.

CHAPTER IX - REVOCATION OR AMENDMENT

Article 39. This Foundation Deed may be revoked or amended only upon unanimous agreement of the Unit owners.

ANNEX I

**ON ESTABLISHING PROCEDURES FOR CREATION OF CONDOMINIUMS
AND TRANSFER OF PRIVATIZED STATE HOUSING
TO PRIVATE INDIVIDUALS AND MUNICIPALITIES**

**Republic of Albania
Council of Ministers**

For the realization of housing privatization and economic reform in the housing sector, upon the proposal of the Minister of Construction, Housing and Territory Adjustment, the Council of Ministers

D E C I D E D

1. As expeditiously as possible following the passage of the Condominium Law, the National Housing Agency ("Agency"), acting on behalf of the state, shall establish condominiums in all multi-unit state-owned housing stock which is to be privatized.

2. For each condominium, the Agency shall establish the condominium by completing and registering in the real property registration office of the appropriate district a foundation deed in the form annexed to this decree. The district real property registration office shall assign a plot number to each property.

3. No condominium unit may be transferred from state ownership until a foundation deed has been registered for the condominium.

4. As each condominium unit is transferred, title shall transfer from the state to the transferee. A record of each such transfer shall be registered separately in the real property registration office, together with the registration records of the condominium in which the unit is located.

5. Each transferee shall receive a deed of ownership of a particular dwelling unit, together with an appurtenant allocated interest in the common property, in the condominium.

6. Liens or mortgage loans, including secured loans for the purchase of the condominium unit or secured loans or mortgages obtained after the initial sale of the unit, shall be registered with the registration records of the unit.

7. The state shall continue to own those condominium units whose occupants do not elect to privatize. As long as the state remains the owner of one or more units in a condominium, the state will be a member of the condominium unit owners' association and will have all rights and responsibilities of such membership. The Agency will represent the state for purposes of participating in the affairs of the condominium unit owners' association.

8. The state, through the Agency, shall remain responsible for management of a condominium for as long as the state remains the owner of a majority of the ownership interests in the condominium. At such time as a majority of the ownership interests in the condominium have been transferred to private individuals, the unit owners' association shall determine how the condominium will be managed, in accordance with the foundation deed.

9. The state, through the Agency, shall remain responsible for management of unprivatized condominium units, which will be rented in accordance with rent regulations then in effect, until the termination of the privatization period.

10. Upon the termination of the privatization period, ownership of the unprivatized condominium units shall be transferred from the state to the municipality in which the condominium is located. Thereafter, the municipality will have responsibility for management of the unprivatized condominium units, and may allocate them in accordance with rent regulations then in effect.

This decree comes into effect immediately.

PRIME MINISTER

ALEKSANDER MEKSI

No.

Date:

ANNEX J

WHAT IS A CONDOMINIUM?

Apartments in privatized housing in Albania are being sold as condominium units. Some people have heard of condominiums, but do not know much about them and do not understand how this form of ownership works. To help you understand condominiums, here are the answers to some frequently-asked questions.

1. What is a condominium?

Basically, condominium is a form of ownership of an apartment building or other multi-unit real property, with portions designated for individual ownership (the units or apartments), and the remainder designated for joint ownership by the owners of the units (the common property).

In order for a condominium to be legally formed, there must be a law which authorizes this kind of joint ownership. The parliament of Albania recently passed a Condominium Law so that condominiums are allowed to be formed in this country.

2. What does a person own in a condominium?

An individual owner in a condominium holds title to (owns) a parcel of real estate that is comprised of two parts: (1) the individual unit or apartment itself, and (2) an undivided, proportionate interest in the common property.

The individual owner's interest in the common property is in the same proportion as the floor area of the owner's unit is to the total floor area of all the units. These two parts together comprise the individual's "ownership interest" in the condominium.

3. What is an example of an "ownership interest"?

In Condominium Berati, there are 20 individual apartments with a total of 400 square meters of floor space in all of the apartments. Mr. Ademi owns Apartment #101, which has 20 square meters of floor space. Mr. Ademi's apartment accounts for 5% of the total floor space of all the apartments in the building, so Mr. Ademi has an ownership interest in Condominium Berati of 5%.

4. How do you know what you own?

A person decides to become a condominium owner will be given a description of the property he or she is acquiring, including the share of the common property.

A full description of each owner's ownership interest is registered in the real property registration office of the district where the condominium is located. These are public records which cannot be altered without the consent of the owner.

5. What does "undivided interest" mean?

The individual owner's proportionate interest in the common property is called "undivided" because it represents that owner's interest in the whole of the common property rather than a definable part of the common property.

This kind of ownership can apply to any co-owned property. For example, if there are two individuals who own a house together, each with a 50% interest, they do not divide ownership of the house by drawing a line down the middle; they each own 50% of the whole house. Similarly, an owner of a condominium unit has an undivided, proportionate interest in the whole of the common property. Mr. Ademi, who owns 5% of the ownership interests in Condominium Berati, does not own a particular piece of a stairway or certain tiles on the roof of the condominium -- he owns a 5% interest in the entire common property.

6. What is included in the common property?

Common property in a condominium is everything other than the individual units. Common property ordinarily includes interior shared spaces of the building such as stairways and halls; exterior components of the building such as the roof and masonry walls; and the land under and surrounding the building.

7. What are some of the rights of condominium ownership?

Owners in a condominium have most of the same rights that any other owner of real property has. Within certain broad limits, condominium owners are free to use, sell, lease, or mortgage their property as they wish. However, they may not separate ownership of their unit from their ownership interest in the common property.

8. What is a condominium association?

All owners in a condominium are members of the condominium's unit owners' association. The association is responsible for

managing the common property and regulating the operations of the condominium community.

Voting power in the association is equivalent to the member's proportionate ownership interest. In other words, the owner of a 5% ownership interest controls 5% of the votes in the association.

The Condominium Law provides for some of the respective obligations and rights of the individual owners and for the association or group of owners as a whole. All persons who become owners must agree to be bound by the requirements of the law and the rules of the association.

9. What are some of these obligations?

One of the most important obligations of being a condominium owner is the requirement to pay a share of the expenses of managing and operating the condominium, including the expenses of maintaining and repairing the common property. These are called "common expenses." Common expenses are allocated among the owners according to their ownership interest.

In other words, Mr. Ademi, whose ownership interest in Condominium Berati is 5%, must pay 5% of the common expenses of the condominium.

10. How does each owner pay for his share of common expenses?

Common expenses are paid through the collection of monthly condominium assessments by the association. The amount to be collected is determined when the association adopts an annual budget, based on the amount of money it expects will be needed to run the property. Each owner can vote on the budget, but all owners must comply with the decision of the majority.

11. What other expenses does an owner have to pay?

In addition to common expenses, each owner is obligated to pay the expenses of keeping his own apartment in good repair.

12. How is a condominium formed?

To form a condominium, the owner of the entire property must register it in the real property registration office and describe how the property will be divided among the future individual owners. The condominium law provides other requirements that the

owner must meet, such as the drafting and registration of a foundation deed.

Individual units or apartments cannot be sold until the owner has met these legal requirements and formed a condominium.

13. What is a foundation deed?

The foundation deed is the master agreement or deed between the owner of the whole property when the condominium is formed and the persons who will become individual owners of the property after the units are sold.

The foundation deed must contain plats of survey or another legally sufficient description of the location, the boundaries, and the dimensions of the entire property and of each of the individual units within the property. It also must state the percentage ownership interest allocated to each unit.

The foundation deed also provides information about how the condominium will be governed, how the property will be managed, and how decisions will be made by the association of unit owners.

14. Can the owners see the foundation deed?

Each person who purchases a unit in a condominium will be given a copy of the foundation deed. Each purchaser must agree to comply with the terms of the foundation deed, so he or she should read it carefully.

A purchaser cannot make changes in the foundation deed, however, since it must be registered in the real property registration office by the owner of the whole building before the units can be sold. The owners can change the foundation deed later, but only if each owner agrees.

15. How will condominiums be formed in Albania?

In Albania, almost all of the apartment buildings have been owned by the state and managed by the state property management enterprise. This state-owned housing stock will become condominiums and the apartments will be transferred by the state to persons (in most cases, the tenants) who will become the owners of the condominium.

Before the apartments can be transferred to private individuals, the building must become a condominium. An agency of the

state, The National Housing Agency, will be the founder of condominiums created in state-owned apartment buildings, and will transfer ownership of the units to the private individuals.

16. What if some units are not privatized?

In many buildings, some people will not want to become owners of their units. The state will remain the owner of those units that are not transferred by the end of the privatization period, and will continue to rent them.

17. What obligations will the state have as the owner of condominium units?

Like any other unit owner, the state will have to pay its share of the common expenses, based on the ownership interests allocated to its units, and all the expenses of keeping its apartments in good repair.

18. Who will manage the condominiums?

The state will continue to manage the condominiums on an interim basis, from the time privatization begins until a majority of the ownership interests have been transferred to private persons. Then the association of unit owners will take over responsibility for the management of the property.

Management of the condominium probably will be carried out in one of two ways: (1) by the association itself, by hiring personnel to run the property on a day-to-day basis and contracting for non-routine services as needed; or (2) by delegation of management authority to a property manager, an individual or firm with professional expertise in property and fiscal management who is authorized to act on behalf of the association and carry out policies set by the association.

The state expects that by the time the privatization period ends, there will be private property management enterprises available to take over the management of condominiums.

19. How will the association make decisions?

All unit owners in a condominium will be members of the condominium association, with voting power equal to their ownership interest. Most decisions will be made by majority vote, although a few will require a higher percentage. (For example, to incur major expenses for installation of new equipment, a vote of 75%

is required.) The members will vote at a general assembly that will be held at least once a year.

The members of the condominium association will elect an executive committee to set policy and manage the day-to-day affairs of the condominium.

The state will have a vote in the decisions of the association, but its voting power will be no greater than that of any other owner of an equivalent interest in the condominium. That is, if the state owns two apartments, each of which has a 5% ownership interest in the condominium, the state will control 10% of the votes in the association.

Once a majority of the interests have been sold to private individuals, the private owners will be able to control the management and governance of the condominium.

20. What are the advantages of being a condominium owner?

People all over the world share a common interest in owning their own homes. In many countries, housing is viewed as a financial asset or even an investment. If the value of your housing increases, your wealth increases. You can sell your home and buy another that is more suitable to your needs, or you can rent it to others.

In places where the level of rents is unrestricted and subject to sharp increases, ownership can protect you from unforeseen increases in rent that may cause hardship or force you to move. In Albania, the government anticipates that rents will have to be increased to cover the full costs of maintaining the housing.

Perhaps the most important advantage is that as an owner, you have more control over your living conditions. This allows you to have a greater sense of pride in your home. In a condominium, even though you share your property with other owners, you may participate in making decisions about how the property will be managed and maintained. This is the reason condominium housing appeals to many people.

ANNEX K

7 March 1993

MEMORANDUM

To: Adem Duka, Director of Housing, Ministry of Construction,
Republic of Albania
FAX: 00 355 42 27879 / 23631 / 27819

From: Jack Lowry, AID Consultant

Subj: ***Preparing the Privatization Guide***

Ref: Draft Privatization Guide (15 pages) sent by airmail 8
March.

On my last day in Tirana, I discussed with you the importance of preparing a booklet for the ordinary people of Albania to help them understand privatization. This is in addition to the compilation of laws and decrees that you have already published. I think that every family renting a state-owned apartment should get a copy of this booklet. It will pay you back by persuading more of them to privatize.

I have spent two days in Prague preparing the draft of such a booklet. It is too long to send by fax, but I have asked my associates here to send it to you by airmail on 8 March.

When you receive it, please make copies for others at the Ministry who read English and look through it for mistakes. Perhaps I sometimes misunderstood the translation of the documents that I used as sources; and probably I am unaware of all the plans you have made for implementing the law. When you have corrected the English version, have it translated by the best translator you can find. Then, simplify it further if you can by using ordinary words that most adult Albanians would understand even if not college-educated.

When you and your colleagues are convinced that the ***Privatization Guide*** is an accurate description of the privatization program and can be understood by most Albanians, I recommend that you print 200,000 copies, to be distributed by the district privatization commissions or perhaps by the Banessas to all renters in state-owned dwellings.

As I was preparing the draft, I came across some features of the privatization Bylaw No. 1 that I could not understand, and

other features that I believe must be changed. In this memo I will tell you about these problems.

Privatization and the Foundation of Condominiums

Although the Banessas can accept applications for privatization at any time, they cannot transfer ownership of a state-owned apartment until the condominium law has passed. As explained in Sec. 6 of the Guide, the National Housing Agency, acting for the state, must register a condominium foundation deed for every building that is subject to privatization. (We left with you a model for such a foundation deed, prepared by Carol Rabenhorst.) Only after this step has occurred is it possible to transfer ownership of individual apartments.

I do not know how many apartment buildings the state owns, but suppose the number must be 8,000 to 10,000. You must provide staff either in the Ministry or in the field offices of NHA to prepare that many foundation deeds and file them with Hypotheca.

The Privatization Contract

I have closely examined the privatization contract that is attached to Bylaw No. 1, and believe that it must be redrafted. As it presently reads, the title of ownership passes from the state to the occupant of the apartment only after the entire privatization fee has been paid. The contract should transfer ownership in all cases upon registration of the contract. This is necessary so that the privatizing families can participate in the condominium association as owners, and can be held responsible for their actions as owners.

It is still possible to restrict their rights in order to protect the state from default on the installment contract. The contract can be written to represent a lien on the apartment, preventing it from being physically altered or sold without the consent of the NHA. It is in NHA's interest to allow those who haven't finished their payments to **rent** the apartment to someone else---the rental will provide the income that the privatizer needs to pay his installments.

Finally, the privatization contract needs stronger remedies for default. As it stands, the only consequence of failing to pay installments for six months is that the NHA reclaims ownership and the occupant reverts to rental tenancy. Because the bylaw also says that the occupant ceases to pay rent when he signs the

contract, he will have occupied the dwelling for six months without paying anything.

I recommend that late payments carry a penalty of 10 percent per month of lateness, and that failure to pay an installment in full within three months after it is due should constitute default. If a defaulting privatizer made some payments before defaulting, these should first be used pay back rent, then to pay a fee to compensate the NHA for its administrative work. If there is still a balance due on either account, the NHA should be empowered to seek a court order requiring the occupant to pay the remaining sums. If he fails to do so, his wages should be garnished or his personal property seized. In short, there should be a real penalty for starting privatization, then failing to meet the obligations of the contract.

I have asked Carol Rabenhorst to draft a model privatization contract reflecting these ideas and any others that she judges to be important. I hope that she will be able to do so in the short time between returning to Washington and departing on another mission.

Adjustments to Basic Privatization Fees

The booklet containing all the privatization laws and decrees has three tables on the next to last page that I present in slightly different form in the ***Privatization Guide***. I think I interpreted Tables 1 and 2 correctly, but am less sure about Table 3. Please look at it carefully.

That table gives correction coefficients to use when the privatizing family has too much or too little space; for each person below the norm for the size of the dwelling, the family will pay 10% extra, and for each person above the norm, will pay 10% less. However, Bylaw No. 1, Sec. 3, says that extra space (up to one room) must be paid for at the rate of 2,000/3,000/4,000 leks/m². Which rule is correct?

And Sec. 13 lists certain types of families that can get ***more than one extra room*** if they are willing to pay extra. These exceptions seem illogical to me. Perhaps the translation is wrong.

Also Sec. 13 has several paragraphs about adjustments of the privatization fee for dwellings that have floor additions and dwellings that have side additions. But Sec. 21 says that all such dwellings must be return to their original state before they can be privatized. Which rule should I believe? Why do you want

people to tear down improvements they have made to apartments they want to own? That doesn't seem reasonable.

Sec. 15 gives an adjustment factor for a dwelling "with no rooms." What sort of a dwelling is this? An imaginary one?

Congratulations and Good Wishes

I am very impressed by the amount of hard work and clear thinking that was done in your Department since my last visit. I believe that privatization is off to a good start. But I want to warn you that the work is just beginning. You will be dealing with perhaps 250,000 privatization transactions. If you plan carefully and test your procedures before implementing them, you can save yourself and others a great deal of work. For example, redesigning a form so it will save 10 minutes of processing time in each transaction will save 41,667 person-hours of work. That is why I urged you to talk to the young men with the data-systems consulting company.

I do not know when I will be able to return to Tirana. It depends on whether AID decides to fund a housing sector technical assistance program there. Ms. DeDe Blaine is enthusiastic about the idea after we talked to her last week. I hope the Minister will ask the American Ambassador for AID technical assistance. If the World Bank approves the housing completion loan, it will press AID to provide technical assistance, but the World Bank is not a U.S. government agency, so has no direct influence. I will do what I can in the United States.

It will help me to know what is happening in the privatization program, including the condominium law and the restitution law. After my visit at the beginning of December, I had no information from Albania for two months! So when something important happens--if a law is passed, or an important decree is issued, or you publish the ***Privatization Guide***, please send me an airmail letter. It may take two weeks, but it will get to me, I think. My mailing address is:

Mr. Ira S. Lowry
535 Radcliffe Avenue
Pacific Palisades, CA 90272
U.S.A.

If you want to send me a FAX, I suggest sending it in care of Gian Carlo Guarda at the World Bank. He will forward it to me. I think if you took it to the World Bank Office in Tirana, they would send it. But be sure that the lettering is dark and clear.

ANNEX L

SHOULD I PRIVATIZE MY APARTMENT?

On 23 December 1992, the People's Assembly of the Republic of Albania approved Law 7652, ***On the Privatization of State-Owned Housing***. This law permits most occupants of state-owned apartments to own their apartments instead of renting them from the state. Before the end of December 1993, you must decide whether you want to become an owner. This guide will help you to make that decision.

1. What is the difference between renting and owning an apartment?

Owners have more rights and more responsibilities than do renters.

Rights of Renters and Owners

A renter has the right to occupy a state-owned apartment so long as he pays the rent and does not damage the apartment--unless the number of persons in his household changes so that he has more space per person than the norms permit. If he has excess space, he may be required to share the apartment with other persons, or to exchange his apartment for a smaller one.

If a renter does not actually live in his apartment, his right of occupancy can be terminated by the state. Although it is true that some people who are registered as tenants of an apartment have moved elsewhere and now sublet the apartment to someone else, that arrangement is not legal. The authorities could intervene at any time to evict the illegal tenants and cancel the rights of the registered tenants.

The owner of an apartment can occupy it without restriction as to the number of persons in his household. The space norms that limit renters' right of occupancy do not apply to owners. For example, an owner family can occupy a 3+1 apartment even though the family has only two persons--or even one person living alone.

Also, an owner does not have to live in the apartment he owns. He can move elsewhere temporarily or permanently and rent the apartment to others. He can also give or sell the apartment to another person, who then becomes an owner with the same rights as his predecessor. And when an owner dies, his family inherits his property--including the apartment.

Responsibilities of Renters and Owners

Renters are responsible for painting and cleaning the interior of their apartments and repairing minor damage to floors, walls, windows, and doors, and so on. Renters pay monthly rent to the Banessa that manages the apartment building. In return, the Banessa is supposed to keep the building in good repair and make sure that the electricity and water and drains function properly.

In the past, rents have been set far below the amount needed to support these services; the Banessa has depended on subsidies from the state. When neither the rent nor the subsidies provide enough money to pay for building repairs and building services, the Banessa cannot meet its obligations, and the buildings deteriorate.

Owners are also responsible for taking care of the interiors of their apartments. After privatization, each apartment house will be organized as a "condominium" and the occupants will form a condominium association that is responsible for managing the building. The association can hire an outside manager--such as the Banessa or a private management firm--or they can appoint one of their members to be the manager. Each owner will pay a monthly fee, set by the association, to support building repairs and operating expenses.

If the owners want prompt repairs, good workmanship, and clean, well-lit staircases, they can hire a manager who promises to provide such services. If he fails to do so, they can discharge him and hire someone else. But they must pay for the level of service they want. If the roof leaks, the owners jointly must pay to fix it. If the owners want to repaint the outside of the building, they must pay for this work. If they want a full-time janitor on the premises, they must pay his wages.

2. Which is better: Renting or Owning?

Privatization is voluntary. No one is compelled to become an owner. If you wish, you can continue as a renter of a state-owned apartment. You must decide whether the additional rights of owners are worth the additional responsibilities.

Presently, apartment rents are far less than the amount needed to provide good building maintenance. The fees that condominium owners impose on themselves to maintain their buildings will probably be much higher than the rent you now pay. But the government has stated its intention to raise rents on state-owned apartments until they cover the cost of good building maintenance.

nance. In the future, renters will pay about the same amount as owners pay for comparable housing.

In most apartment buildings, the interiors of the apartments are kept much better than the public areas of the building. This is because the occupants are themselves responsible for the interiors, and can please themselves about interior decoration and how often to scrub the floors and wash the walls. If a light bulb fails they will buy a new one; if the door sticks, they will try to fix it; if water tap drips, they will repair it or get some friend to do the work. But if the public areas of the building are dirty and the light bulbs are missing, and the main doorlatch doesn't work, usually nothing is done--because the Banessas are underfunded and sometimes uninterested in the welfare of the tenants.

Privatization can make the whole building like the interiors of individual apartments. By forming an association to manage the building, the owners of the individual apartments gain control of their environment. They discuss with each other how they want the building managed, and how much they are willing to pay. They may not always choose the best policy, but they do get to choose--by majority vote.

3. Can everyone privatize their apartments?

Nearly everyone can privatize the apartments they occupy, but there are exceptions. Some state-owned apartments are not eligible for privatization, and some families are not entitled to privatize the apartments they currently occupy.

Apartments that cannot be privatized.

If your apartment is in a building that was formerly private property, taken by the state without full compensation, the building may be restored to its former owner; until such restitution claims have been settled, the apartments cannot be privatized. Because the great majority of apartment houses were built by the state, restitution is not likely to be a problem for them. But it may apply to older, smaller apartment buildings, including villas that have been subdivided.

Apartments that are the subject of legal disputes about tenancy and those scheduled for administrative reallocation because of excess space for the occupying family cannot be privatized until final decisions have been rendered.

Finally, a few buildings may be reserved from privatization by order of the Council of Ministers because they are needed for

public purposes or because they are scheduled to be demolished or converted to some other use.

Persons or families not eligible to become owners by privatization

Occupants of a dwelling with more than one extra room according to existing norms for the allocation of state-owned housing cannot privatize that dwelling. However, if they move to a smaller state-owned dwelling, they can privatize.

Occupants of a state-owned dwelling who have permits (issued in 1990 or later) to build a private dwelling cannot privatize the state-owned dwelling. They can, however, get credit from the state to help them build their dwelling.

Persons who moved from rural to urban places after 31 July 1991 and who have profited from Law ____, ***On Land***, cannot privatize a state-owned apartment.

Citizens sent abroad "on duty" who fail to return within 6 months of concluding their duty cannot privatize their apartments in Albania. Their existing tenancy contracts will be terminated and those apartments will be made available to others.

However, citizens who left Albania as economic or political refugees after 2 July 1990 are entitled to privatize the dwelling they occupied before their departure, unless it has since been leased to another family.

Finally, no citizen can privatize more than one state-owned apartment.

4. How much will privatization cost?

The privatization law has a schedule of fees to be paid by those who want to become owners. The older, smaller dwellings of the second and third quality will be given to their occupants free of charge, except for a small payment for the land on which the building sits. Others must pay a fee that increases with dwelling size, newness, and quality. The lowest scheduled fee is 2,000 leks; the highest is 40,000 leks. The Department of Housing estimates that the average fee will be 15,000 leks per dwelling, excluding those transferred free of charge.

Families are exempted from fees if any of their members are war invalids or were political prisoners. Families classified as "homeless" will be given an opportunity to privatize a state-

owned dwelling free of charge--as soon as a suitable dwelling becomes available. Alternatively, they can choose interest-free loans for building or buying a house; or they can choose grants of 10,000 leks per family member for the same purposes.

Families who privatize a dwelling that contains a full room of extra space according to existing norms of space allocation must pay for the extra room even if the dwelling would otherwise be given free of charge. As explained above, a dwelling cannot be privatized if the extra space consists of two or more rooms.

An example of privatization fees for dwellings

Let us consider an example. If a family consisting of three persons are registered tenants of a ground-floor apartment in Tirana consisting of two bedrooms, a living room, and a kitchen annex, and the apartment belongs to Category II and is 17 years old, we would calculate the privatization fee for the dwelling as follows:

- ***Privatization fee by apartment size, age, and quality.*** In Table 1, we look at the fourth row (age 15-19 years) of the center panel (Category II), using the column for 2+1 with annex. The fee for such an apartment is 13,500 leks.
- ***Adjustment for location within the building.*** In Table 2, we look for Category II, ground floor. The adjustment factor is .93. Multiplying $.93 \times 13,500 = 12,555$ leks.
- ***Adjustment for household size.*** In Table 3, we look for a 3-person household in a 2+1 apartment. The adjustment factor is 1.10. Multiplying $1.10 \times 12,555 = 13,810$ leks.
- ***Adjustment for voluntary labor.*** If the occupants contributed voluntary labor for the construction of that building, the fee is further reduced. The adjustment factor is .90. Multiplying $.90 \times 13,810 = 12,429$ leks.

An example of privatization fees for residential land

In addition, there is a small fee for the land under the apartment building. The Council of Ministers' Decree 305 (20 July 1992), sets minimum prices, denominated in U.S. dollars, for the sale of state-owned land. The prices vary by city and actual or intended use. For residential land in Tirana and 13 other large cities, the price is \$1 per square meter. In other cities, the price is \$0.40. Currently, the corresponding lek prices would be

about 100 leks per square meter in large cities and 40 leks in small cities.

The cost of all the land on which an apartment building sits is divided among all the units in the building in proportion to square meters of floor space. For most buildings in the larger cities, the result is about 1,500 leks for an apartment of 1+1, 2,000 leks for an apartment of 2+1, and 2,500 leks for an apartment of 3+1. For most buildings in the smaller cities, the corresponding figures are 600, 800, and 1,000 leks. But the amount could be either more or less in your building.

Total privatization fee

The total privatization fee has three components:

- o The dwelling fee; in our example.....12,429 leks
- o The land fee; in our example..... 2,000 leks
- o A fee for document preparation..... 200 leks
- Total.....14,629 leks

Paying privatization fees

For most Albanian families, 14,629 leks is less than three months' income. Many families can pay that amount in cash, from savings. But poor families and those who lack savings might not be able to find enough cash to privatize their apartments before the end of the year, and so might lose the opportunity.

To make privatization easier for such families, the privatization law allows them to pay in installments of 250 leks per month. (The monthly payment may be increased, but only if wages are increased at the same time.) At that rate, the privatizer in our example could take 59 months (a little less than 5 years) to pay.

Those who do have some savings may want to make a large first payment, then pay the rest by monthly installments of 250 leks. To encourage such early payments, the total price is reduced as follows:

Discount		Example of Discount
Downpayment	on Fee	When Fee = 14,629 leks
100% of fee	20% of fee	2,926 leks
50% of fee	10% of fee	1,463 leks
25% of fee	5% of fee	731 leks

So in our example, a family that paid cash for its apartment would pay $14,629 - 2,926 = 11,703$ leks, as compared to the installment price of 14,629 leks paid at the rate of 250 leks monthly for five years.

Those who plan to pay by installments should remember that the monthly payment of 250 leks is what they must pay to become owners. In addition, as owners they will pay a monthly fee for the maintenance and repair of their building. This fee will be set by the owners themselves as members of the condominium association that manages the building, so we cannot say how much it will be. To give you an idea, we have estimated the monthly fee that would be needed to keep a typical building clean and good repair, given its present not-so-clean and not well-maintained condition. We think it could be done for about ____ leks per month per apartment.

The sum of the 250-lek monthly payment for privatization and the ____-lek monthly condominium fee is ____ leks per month--much more than renters of state-owned apartments are accustomed to paying. If you don't think you can manage that much, perhaps you would be better off to remain as a renter. But the government has said that it plans to raise rents to cover full costs, so you should expect the rent to rise to about ____ leks.

5. If I decide to privatize my apartment, what's the first step?

Since the privatization law was passed, the Department of Housing in the Ministry of Construction has been creating the administrative procedures for carrying out the law. Privatization commissions have been appointed in each of Albania's 36 juridical districts to determine which state-owned apartments are eligible for privatization and which are not; and to determine which citizens are entitled to privatization or to special consideration (for example, war invalids and homeless persons). The commissions are also charged with classifying state-owned apartment buildings into Categories I, II, and III, based on their location within the urban area and the quality of their construction.

Also, a special staff section has been created in each Banessa to accept and process applications for privatization, and application forms have been designed. Any time after [date], you can go to the Banessa that manages your building and obtain an application form. If you need help, the clerk at the Banessa will explain the form to you.

The clerk will examine the Banessa's records about the apartment and building where you live and will calculate the privat-

ization fee you must pay, using the method described earlier in our example. This information, including the calculations, will be entered into a duplicate form which you must read and sign to indicate that you agree with the description of your apartment and believe that the calculation is correct. You get one copy of this form and the Banessa keeps the other.

At this stage, you can still change your mind. If the privatization fee is higher than you expected, you can decide that you don't want to become an owner, and so inform the Banessa. But if after knowing the exact fee you still want to become an owner, the next step is to sign a privatization contract. As soon as you do so, you become the owner of your apartment and stop paying rent.

The privatization contract is a very important legal document. It obligates you to pay a large sum of money to the Banessa, either all at once or in monthly installments, as you prefer. If you fail to meet this obligation, the contract is terminated and the apartment reverts to state ownership. The occupants of the apartment again become renters. Any installment payments you have made will be returned to you, minus a sum equal to the total rent payments that you missed during your brief career as an owner; and minus an administrative fee to reimburse the Banessa for the work it has done in your case.

If you pay the privatization fee in cash, your title of ownership is immediately registered at the Hypothetica Office, and you now are free to exercise ownership rights. These include the right to occupy the apartment or to lease, sell, or give it to others on whatever terms you choose. You can remodel the interior of the apartment to suit your preferences, so long as you do not damage structural features of the building.

If you pay by installments, your title of ownership is registered subject to restrictions (a lien) placed by the Banessa on your apartment. Until the privatization fee is fully paid, you cannot sell the apartment or change it physically in ways that were prohibited to renters. However, you can rent it to another family.

6. Exactly what will you own after privatization?

Before any apartments in a state-owned building can be privatized, the building must become a condominium. On behalf of the state, the National Housing Agency (NHA) will register the condominium "foundation deed" for each building, describing the building and all the separate apartments in it. When your privatization application is approved, the NHA will prepare another

document transferring ownership of your apartment from the state to your family. This condominium deed is registered at the Hypothetica Office, and you will also get a copy. It is the proof of your ownership rights.

Each individual owner in a condominium building owns two things: 1) the interior of an apartment, and 2) an undivided interest in the common areas of the building and the land on which it sits. His share in the common areas is proportional to his apartment's share in the total floorspace of all the apartments in the building. The condominium deed will describe exactly which apartment you own and exactly what proportion of the common areas you own.

An "undivided interest in the common areas" means that you don't own a specific part of the roof or staircase; instead, you own a fractional share of the whole property. But you cannot sell your share of the common areas separately from your apartment; the two ownership interests are linked. If you sell your apartment, the new owner also gets title to your share of the common areas.

Your apartment and ownership interest in the common areas will be registered as the joint property of all adult members of your household. That means that even the head of the household cannot sell or rent the apartment without the written consent of everyone whose name appears on the registration certificate.

7. How do the new owners take charge of building management?

The new owners take charge of the building by forming a condominium association. As soon as one-third of the dwellings in a building have been privatized, the NHA will convene a meeting of all the owners to form the association. Some rules governing the association are stated in the foundation deed mentioned above, and cannot be changed by the members of the association. Other rules can be made by vote of the members. The weight of each member's vote is proportional to his share of the condominium's common property, so those with large apartments have more voting power than those with small apartments.

Typically, the association will be formed before all apartments in a building have been privatized. In many buildings, some tenants will decide that they do not want to own their apartments or cannot afford to pay the fees even by installments, so they will remain as renters in state-owned housing. The NHA will represent the state as owner of these rented dwellings, and will be a member of the condominium association with voting power in proportion to the number and size of apartments that have not yet

been privatized. At first, the NHA will have a majority vote; but as more apartments are privatized, its vote will become a minority. The new owners of the individual apartments will be jointly in control of the association and thus in control of the building!

The association has the power to assess monthly and special fees for common expenses to be paid by each apartment owner--including the NHA, acting as owner of the unprivatized apartments. The association also decides how the money from these fees will be spent. It has authority to hire and discharge a property manager--an individual or a firm--and any other employees needed to manage and operate the building. It can regulate the care given to common property--how often the hallways and staircases are cleaned, how often the interior and exterior of the building will be painted, under what circumstances toilets, sinks, and stoves will be repaired or replaced, and so on. It has the power to contract with an outside firm for repairs to the roof or the electrical system. It can make rules for the use of the laundry room, regulate where and when children can play in the building, and regulate television noise that disturbs the neighbors. All these rules must be adopted by majority vote of the association members.

8. What happens if some owners disobey the rules?

Members of a condominium association usually obey the rules they made jointly with their neighbors. If they do not, the condominium association can take legal action, asking the court to enforce the rule that was violated, or to require the violator to pay damages to the association.

If a member fails to pay an assessment approved by the association for the operation of the building, the association can ask the court to order that member to pay, subject to seizure of his property, garnishment of his wages, or any other remedy that is provided by the civil code.

9. If there are renters in some apartments, are they members of the condominium association?

Renters are not members of the condominium association unless appointed by their landlords to represent the landlord's interests. This rule holds whether the renters occupy state-owned apartments administered by the NHA, or privately owned apartments. Membership in the association goes with ownership of the apartment.

It is the owner of an apartment, not his rental tenant, who is responsible for paying the monthly fee and special assessments imposed by the condominium association. The owner collects rent from his tenant according to the rental agreement between them; but if the tenant fails to pay his rent, the owner is still obligated to pay the condominium fees. These rules apply even to the NHA as agent for the state. If the NHA fails to collect rent from its tenants, it nonetheless must pay condominium fees to the association. If the NHA fails to pay these fees, the association can bring legal action to collect them.

If rental tenants in the building violate the association's rules, their landlord is held responsible. The association can notify the landlord that the tenant is misbehaving; if the landlord does not correct the problem, the association can sue the landlord for damages.

10. I want to privatize a single-family house. Do all these rules apply to me?

This guide has been written for those who live in state-owned apartments because nearly all state-owned dwellings are in apartment buildings. However, the state does own some single-family houses and subdivided villas, now occupied by rental tenants.

There may be impediments to privatization of such dwellings, most of which were taken from private owners during the communist regime. The former owners or their heirs may want them back. If such claims are honored by the restitution law now before the People's Assembly, the current occupants will be unable to privatize their homes. However, it is likely that the restitution law will allow current occupants to stay in residence as renters with regulated rents for a period of several years.

If there is no question of restitution, renters occupying single-family houses or subdivided villas owned by the state can apply for privatization. If there is more than one registered dwelling on the premises of the property, privatization follows the rules for apartment buildings, though the "condominium association" will be less formal. If the dwelling is a detached single-family house, it can be privatized without forming a condominium.

11. If you have more questions, don't be afraid to ask them!

The rules for privatization are simple for most people, but may be complicated for a few whose circumstances are unusual. This

guide does not report all the special rules that have already been adopted; and we feel sure that more special rules will have to be devised to fit unanticipated circumstances.

So if you are not sure whether a rule applies to you, or if the rule seems unfair in your case, ask at the Banessa. If you don't get a satisfactory answer there, write to the Director of Housing in the Ministry of Construction. We want to help you to get everything to which you are entitled--but no more.